

EUROPEAN NEWS

Social Democrats fear loss of E German support

By David Goodhart in Bonn

THE West German opposition Social Democrats yesterday attacked the ruling Christian Democrats in Bonn for indicating to East German voters that financial support will start flowing into their country only if they vote for the centre-right alliance.

The SPD party is increasingly worried that support for their sister party in East Germany, currently well ahead in the opinion polls, may be weakening in the face of a hard-hitting campaign from the Alliance for Germany backed by the CDU in Bonn.

Mr Hans-Joachim Vogel, the SPD leader, made the comments yesterday after an SPD executive meeting had decided to give its backing to the more gradual Article 146 road to unity rather than the speedier Article 23 route. It did not, however, rule out the latter completely. Article 146 requires the writing of a new joint constitution, to be endorsed by a referendum, and thus should give East Germany greater influence in the process of unity.

The party also backed the position of Mr Hans-Dietrich Genscher, the Foreign Minister, in supporting a hybrid

Moscow will want its "legitimate economic interests" protected in any merger between the two Germanys, the Soviet ambassador to the EC warned yesterday, writes David Buchan in Brussels.

Mr Vladimir Shemelikov said existing ties "should be maintained, even developed further" and he suggested a future united Germany could be a bridge between the two parts of Europe".

Soviet proposals to switch Common from border trade to a hard currency might entice a united Germany into some association with Comecon.

Foreign Minister Gerhard Stoltenberg (right) announces the withdrawal of all US chemical weapons from West Germany this year. With him are Gen John Heldt (left), US deputy chief of staff for operations in Europe, and West German defence spokesman Winfried Klemm.

solution to military pact membership - at least for a limited period - in a unified Germany. Despite recent statements from Mr Oskar Lafontaine, the deputy leader, suggesting that a united Germany could not remain in Nato, the party has said that the two Germanys can remain in their respective pacts until a new security system is established.

Mr Manfred Wörner, the West German secretary-general

of Nato, also yesterday said that he did not rule out the continuing presence of Soviet troops in East Germany even after unification.

Meanwhile, funding for the four-nation Eurofighter Aircraft has come under renewed pressure in Bonn as the government's own fraction of the Bundestag calling for a report into the effects of a withdrawal from the project. It had been expected that West Germany would remain in the development stage of the project despite extra financial pressures arising from unity.

Also yesterday Mr Gerhard Stoltenberg, Defence Minister, said the US would withdraw all its chemical weapons from West Germany. The weapons, which include 400 tonnes of nerve gas, are the last major US stockpile in Europe.

In the Bonn cabinet committee the Labour Ministry proposed that pensions and unemployment benefit should be gradually raised to 70 per cent of East German income, roughly the West German percentage, from the current level of less than 60 per cent.



Foreign Minister Gerhard Stoltenberg (right) announces the withdrawal of all US chemical weapons from West Germany this year. With him are Gen John Heldt (left), US deputy chief of staff for operations in Europe, and West German defence spokesman Winfried Klemm.

DEBATE OVER REPARATIONS

Kohl may benefit from stand

By David Goodhart in Bonn

MR HELMUT KOHL's temporary linkage of a German guarantee for Poland's western border with a renunciation of reparation claims may have caused an international uproar but it could also have given the West German Chancellor a populist boost in the two Germanies.

In East Germany, anti-Polish feeling remains quite strong and in West Germany people believe that their country has already paid enormous sums in compensation for the Second World War and are horrified by misleading reports of Polish claims for up to DM500bn (£175bn). The truth is rather different.

West Germany has in fact paid only DM5bn in official reparations - compared with 65m marks paid by East Germans. That is because at the London Debt Agreement in 1953 the main western countries agreed to waive their reparation claims against Germany, at least until the signing of a formal peace treaty, in return for the repayment of some ordinary debts which had

been suspended as a result of the currency reform of 1948. In the same year, the Soviet Union and Poland renounced their claim to official reparations from Germany (although some people argue they meant only East Germany).

Later in the 1950s, however, West Germany passed a Compensation Law under which more than DM20bn has been paid out to those who suffered at the hands of the Nazis.

There were a few token payments to states - France receiving by far the largest payment of DM400m - but most money went to individuals.

About 80 per cent of the money has gone to people living outside Germany and a minor share of that to Jews.

A few payments were made to east European countries for the suffering caused through Nazi medical experiments; but the largest remaining claim on the German purse comes from the nearly 1m elderly East Europeans who worked as slave labour or suffered in concentration camps.

The Polish Government is supporting the civil claims of its own former slave workers but, as Mr Kohl seemed to forget recently, that does not amount to a claim for state reparations. According to compensation experts in Bonn, with close contacts with the Polish Government, the amount claimed is symbolic: DM2,000 per person, with the total for the whole of eastern Europe coming to less than DM2bn.

Bonn has long insisted that no official reparations claims can be made without a peace treaty. Now there is to be no treaty and Bonn, understandably enough, is saying that the whole concept of reparations is anachronistic. The Government has suggested that a fund be set up by the German companies which benefited from the slave labour but the response has not been enthusiastic. Eventually, however, some sort of foundation is likely to be formed with backing from the Government and industry to pay out a few more billion D-Marks before closing the compensation book.

The Polish Government is

Gorbachev may make £21bn claim against Lithuania

By Gavriel Pest in Moscow

MR MIKHAIL GORBACHEV, the Soviet leader, appears to be preparing the ground for a massive compensation claim by later Soviet authorities against Lithuania. If the Baltic republic insists on going ahead with its demand for outright independence,

they maintain that any investment by the rest of the Soviet Union in Lithuania, and the Republic was annexed by the Red Army in 1940, were more than compensated for by Lithuania's contributions to the Soviet economy.

Clearer manoeuvring over the issue of independence is coming to a head in advance of the Lithuanian Supreme Soviet's planned meeting which is expected to announce a programme for negotiations with Moscow "to restore Lithuanian statehood" - on the grounds it never legally became part of the USSR.

A commission drafting a plan on the independence process met in Vilnius, the Lithuanian capital, on Tuesday, and proposed that the independence of the Lithuanian state will be restored on the basis of legal confirmation of the Independence Act of 1918.

41m Soviet citizens live below poverty line

ABOUT a seventh of the Soviet population, 41m people, live below the poverty line, most of them in the southern republics, the progressive weekly Moscow News reported yesterday. Reuters reports from Moscow.

The lowest number of poor live in Latvia, Lithuania and Estonia, formerly independent states which declared independence in 1918 after a pact between Stalin and Hitler.

According to the report's author, investigative reporter Mr Vladimir Guryevich, 41m of the Soviet Union's approximately 280m people have incomes of less than Rbs 78 (22) a month - the official poverty level.

The average urban monthly wage in the Soviet Union is Rbs 259, about half of which goes for food. Most rents are extremely low, however, since they are subsidised.

The Central Asian republics are clearly shown to be the Soviet Union's poorest in a table accompanying the article.

It said 51.6 per cent of the population of Tadzhikistan lived

below the official poverty line. The figure for Uzbekistan was 57.1 per cent.

Such a claim would be in line with the draft law on secession currently under discussion in the Supreme Soviet (standing parliament) in Moscow, which states that talk must be held on compensation between any republic wishing to leave the USSR and the central authorities.

However, it is angrily rejected by proponents of Lithuania's independence.

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Berlin to unify administration

By Leslie Coffey in East Berlin

EAST and West Berlin will take the first step next week towards restoring a single administration of Berlin since the magistrate (city government) of Greater Berlin was split under Soviet pressure in December 1948.

Mr Walter Momper, the governing mayor of West Berlin, and Mr Christian Hartenbach, his East Berlin counterpart, agreed late on Tuesday to exchange senior city officials who will work out details of the amalgamation. An office of legal adjustments with officials from both sides will be set up in the East Berlin magistrate.

A mixed commission will be formed then to work out details of the city's unification.

Both mayors agreed that the process of reunifying Berlin should take place simultaneously with Germany's unification.

The timetable indicated that the two sides are anxious to achieve quick results. All-Berlin elections, however, are not to be held until unity has been accomplished.

Mr Hans Modrow, the East German Prime Minister, in a speech to the last session of the Volkskammer (parliament) before elections on March 18 appealed for a gradual unification of East and West Germany.

A mixed commission will be formed then to work out details of the city's unification.

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ANNUAL GENERAL MEETING

The Annual General Meeting of Banco Bilbao Vizcaya SA will be held on 27th March, 1990 at 12.30 pm at Círculo Cívico, Calle Alfonso de Urquiza, No. 12, Bilbao, Spain.

The Agenda for the meeting is as follows:

1. Approval of the financial statements and administrative notices for 1989 including the declaration of the final dividend.

2. Authorise the Board to modify, in accordance with Spanish Company Law, articles 2, 25, 26, 13, 16, 18, 19 to 32, 34, 36, 43, 45, 51 to 54 and 59 of the Company Statutes, by the inclusion of one Interim Clause and one Additional Clause in substitution for the three current Interim Clauses.

3. Appointment of Directors.

4. Appointment of Shareholder Auditors.

5. Authorise the Board to purchase BBV shares, and if necessary to sell purchases, in accordance with Spanish Company Law.

6. Authorise the Board to increase the share capital of the company in accordance with the legally established terms and conditions, and to increase the capital and modify the nominal value of the shares, as and when they see fit.

7. Authorise the Board to finance treasury bonds, securities or any equivalent bonds, with or without special guarantees, in pesetas or other currencies which may be completely or partially convertible into the company's shares.

8. Approval of the Minutes of the Meeting.

Shareholders have the right to examine the documents which are to be submitted for the meeting, the Auditor's report and the proposals regarding modification of the company statutes, the capital increases, the change in nominal value of the shares and the Audit report regarding this matter. This information will be provided free of charge to shareholders who request it.

Shareholders have the right to attend provided that they have a minimum of 50 shares registered in the books of the company at least five days before the Annual General Meeting. Shareholders with less than 50 shares can combine with other similarly placed shareholders to achieve the minimum holding of 50 shares.

A shareholder who is unable to attend the meeting may appoint another shareholder to attend and vote in his place.

Shareholders who wish to attend the meeting must obtain an attendance card by applying to the Bank at least five days before the meeting. If the quorum required for special resolutions on the agenda is not reached the meeting may approve other resolutions for which such a quorum is not required.

If for any reason the meeting cannot take place at the above mentioned address, it will be held at Círculo Cívico, Calle Alfonso de Urquiza, No. 2, Bilbao where the meeting will take place half an hour later.

Holders of Depositary Receipts to Banco (DRs) wishing to exercise their voting rights in respect of the shares represented by the receipts held by them are reminded that in accordance with clause 14 of the terms and conditions they must lodge their receipts with Hill Samuel Bank Limited by 4.00 pm on Wednesday 14 March 1990 or with Morgan Guaranty Trust Co. of New York, Brussels by 4.00 pm on Tuesday 13 March 1990. Voting rights may be exercised only in respect of depositary receipts representing ordinary shares duly recorded in the Company's share register five days before the date of the meeting.

THE European steel industry has left its crisis years behind and has a bright five years ahead, according to a study by the European Commission.

New figures suggest that production in 1990 will be up to 5 per cent higher than in 1988, itself an unusually good year.

The Commission argues that steel has become an industry like any other, able to stand on its own feet.

From now on decisions and

actions will be taken by the market.

The study, which is the basis of a long-term review of EC steel policy, will be discussed by industry ministers in May.

It sets as a priority relations

with third countries, and makes a plea for rules to be set

within Gatt limiting steel sub-

sidies and reducing tariffs and other trade barriers.

The report questions the traditional role of capacity utilisation as a guide to the overall profitability of the industry.

New production techniques like continuous casting mean that steel plants can be produced at about 70 per cent of capacity, rather than about 50 per cent normally.

The report makes explicit for the first time the need for new investment to protect the environment, which it says will be taken into account in approving new investments in the industry. It also suggests that the traditional guidelines on granting Community aid to the industry, which cover the social costs of laying off steel workers, should be more broadly interpreted to cover training.

14.3m tonnes in 1985, implying a capacity utilisation rate of 74.7 per cent. The lower forecast puts production at only 13.2m in 1990 or 74.4 per cent of maximum capacity.

Demand is expected to rise over the period by nearly 3 per cent to 14.7m tonnes in 1995.

However, the Commission is expecting a small cyclical dip in 1992 to about 11.0m tonnes.

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De Benedetti to face bank failure inquiry

MR Carlo De Benedetti, the Italian industrialist, is to be questioned by magistrates investigating the collapse in 1982 of Banco Ambrosiano, Italy's biggest private banking failure, judicial officials said yesterday. Earlier reports from Milan. He was the bank's vice president briefly in 1982.

FINANCIAL TIMES

EUROPEAN NEWS

Industry sales fall 29% as recession bites in Poland

By Christopher Bobinski in Warsaw

POLAND'S economy remains beset by recession. In February - the second month of an IMF-approved austerity programme - industrial sales fell by 23.3 per cent, according to preliminary figures issued by the Government's Central Statistical Office (GUS).

Over the first two months of the year, sales are down 23.5 per cent compared with the same time last year. Among the hardest hit sectors, food processing saw a drop of 39.1 per cent and light industry a fall of 32.2 per cent.

Industrial wages grew by 15 per cent compared with an expected 23 per cent rise in prices in February.

The Government said last week that unemployment soared to 1.52 million by the end of February from 9,600 in December.

The Government hopes to slow the fall in output by reducing prohibitive credit interest rates as inflation declines.

The National Bank has progressively cut the basic monthly interest rate from 36 per cent in January and 20 per cent in February to 10 per cent in March.

Hard currency exports in

February were double those in January. But for the first two months exports, worth \$1.6m, were 2.8 per cent down on the same period last year. Imports at \$333m have fallen even further behind, resulting in a trade surplus that is a fifth higher than a year ago.

Coal mining unions and management, meanwhile, reached a new pay agreement yesterday which assumes that the industry will no longer work on Saturday. In the past Saturday working provided 30m tonnes of coal a year.

Miners will receive a 40 per cent increase in their weekly earnings to make up for wages lost from Saturday working, which in the past has provided a third of miners' monthly earnings. Demand for energy is falling while coal prices are rising so consumption this year could drop 30m tonnes.

Mr Jean-Louis Servan-Schreiber's L'Expansion group is to go ahead with a joint venture with the Gazeo Bankowa, a Polish financial weekly founded 18 months ago. He will take a 51 per cent stake in the 20,000 circulation newspaper in the first major agreement of its kind in Poland.

Turkish journalist murdered in Istanbul

By Jim Boden in Ankara

GUNMEN yesterday shot dead Mr Cetin Emec, a widely-respected columnist and board member of Turkey's mass-circulation daily, Hurriyet, in what appeared to be a highly professional killing in the city of Istanbul.

There was no immediate claim of responsibility for the killing, which was roundly condemned by leading figures across the political and social spectrum.

It raised fears of an organised campaign of destabilisation linked with the murder last month in Ankara of Mr Muammer Aksoy, head of the Turkish Law Institute. A previously unknown Islamic group claimed responsibility for his death. Like Mr Aksoy, Mr Emec was widely known for his secularism in the context of Kemalism, the state doctrine laid down by Mustafa Kemal Ataturk, the Turkish republic's founder.

Meanwhile an all-party pro-

posal for the establishment of a human rights commission was submitted to the Turkish parliament yesterday for inclusion in the debating schedule.

President Turgut Ozal announced plans for the commission in his inaugural speech early last November.

Hungary seeks UK help on privatisation

By Peter Montagnon, World Trade Editor

HUNGARY is seeking to profit from Britain's experience of privatisation by recruiting two British advisers to help it sell off its own state-owned companies.

The advisers are being sought on Budapest's behalf by the UK Overseas Development Administration to work in the Hungarian Government's State Property Agency, the privatisation body being set up with the help of £36m in finance from the World Bank.

They will be involved in valuations, organising sales and advising on the timing and scope of privatisation, the ODA said yesterday. It is funding the positions from its £25m "know-how" fund for Hungary, launched last year.

Separately, ODA is recruiting British nationals to work in Poland's Export Development Bank which is being created with DfID's finance from the International Finance Corporation, the World Bank's affiliate which channels funds to the private sector.

These posts will be funded from the UK's £50m "know-how" fund for Poland.

Bulgarian poll likely to be postponed until June

By Judy Dempsey in Vienna

BULGARIA'S first free parliamentary elections for more than four decades are expected to be postponed from May until June following a compromise between the ruling Communist Party and the Union of Democratic Forces, the umbrella group for the opposition parties.

The UDF had objected strongly to the May election, saying it wanted an autumn poll to have time to prepare.

Talks between the authorities and the opposition remain acrimonious. The UDF, which recently formed an electoral pact among eight opposition parties, is insisting the Communist Party disband all its workplace branches. It also wants to be consulted on all important bills before they go to the National Assembly.

So far, the UDF has failed to come up with a coherent economic and political programme. It hopes to do this - and heal serious divisions in its ranks - during its first national conference tomorrow.

The Communist Party, led by Mr Alexander Lilov, who was elected party chairman in January, and Mr Andrei Lukyanov, the Prime Minister, is meanwhile attempting to regain the initiative with a response to a spate of anti-government demonstrations criticising the slow pace of the reforms.

Earlier this week, the National Assembly pushed through a series of radical measures which legalised strikes and permitted Bulgarians to buy and sell property without restrictions.

Oil troubles the political waters of divided Baku

Peter D. Carlin explains the economic grievance which underlies Azerbaijan's recent inter-ethnic strife

same antagonisms remain today.

The internationalisation of Baku's oil industry was also accompanied by a rapid vesting of the wealth of the region in the grasp of central government. As the industry fell into a system of government regulations and leases, competitive tendering soon drove the ownership of oil wells and related industries out of Azerbaijani hands and into those of Russians, Armenians and Europeans. Azerbaijanis owned 60 per cent of all oil wells in 1970, but after 1972 this figure fell to 13 per cent.

The displaced Muslim bourgeoisie suffered more than a simple religious prejudice in what they viewed as a Russian-Armenian conspiracy to deny them access to their indigenous economy. Their further "exemption" from the military draft in Tsarist Russia left them unarmed after the 1917 revolution.

When the Baku soviet (city council) itself continued to deny the Azerbaijanis access to arms after the revolution, a massive assault was launched on the Shamkor station of the Baku-Tiflis railway line to intercept arms from the Russians and keep them from Baku Soviet. Up to 1,000 Azerbaijanis died in a battle which became an emblem of their nationalism and anti-Russian

feeling.

Shortly after this event, Azerbaijanis stormed garrisons at Lenkoran and Shemakha and drove the Bolsheviks out of Petrovsk. The result was described by a trainee Russian officer named Baikov in his memoirs of the revolution in Baku. He explained that "Armenians displayed an attachment to Russia, seeing in her their only protection from physical annihilation."

In Baku, Armenian groups were closely allied with Bolsheviks and their combined forces shut-down a weak Azerbaijani

resistance.

The eventual consolidation of Soviet power preserved an ethnic distribution of the city whereby Russians comprised some 42 per cent of the population and Armenians 18 per cent, with the remainder Azerbaijani. The population continued along these ethnic proportions until Baku had grown to 500,000 by 1929.

The Baku area retained its predominance in Soviet oil, fueling most of the country's war effort. In 1940, at the peak, the Caucasus oil region accounted for over 70 per cent

of the Soviet Union's crude production and over 80 per cent of oil refined.

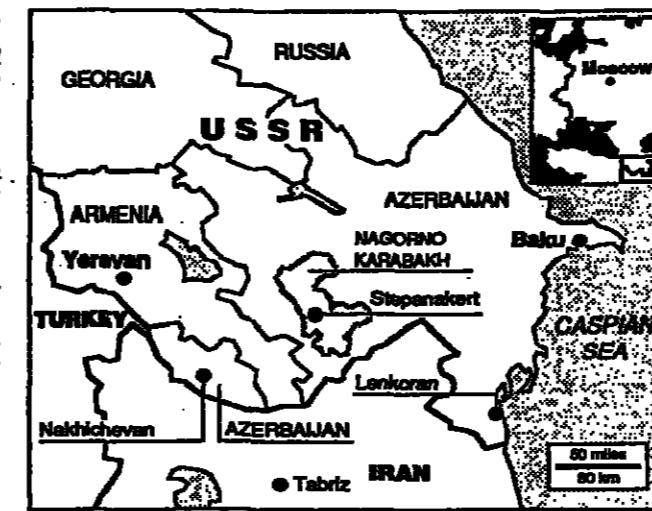
Oil output in the region has since dipped, making up 8 per cent of total production in the mid-1980s and only about 3 per cent today. Only offshore development in the Caspian Sea has prevented a total collapse of the region's oil industry.

Baku remains a production centre for oil industry equipment, but the gradual marginalisation of the area's natural resources has had political ramifications. In particular, the Azerbaijanis are bitter about what they see as a rapacious Russian-sponsored and Armenian-condoned destruction of their nation's wealth as the Soviet Union sought to counter the advent of power of the Organisation of Petroleum Exporting countries (Opec) in the 1970s.

Crude drilling and exploitation techniques by the Soviets promoted excessive waste and left an ecological scourge over the area.

Moreover, problems have also arisen from the recent merging of the oil and gas ministries, the clear-out of their management by Mr Mikhail Gorbachev, the Soviet leader, and the requirement that the oil enterprises become "self-financing" and responsible for their own profitability.

Peter D. Carlin is a PhD student in Middle East strategic studies at King's College, London



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OVERSEAS NEWS

Rafsanjani optimistic over release of hostages

By John Elliott in Hong Kong

IRAN'S President said yesterday he believed the Lebanese hostage crisis would be resolved, adding he had received indirect messages on the issue from the US, Reuter reports from Nicosa.

"My feeling is that the issue of the hostages is moving towards a solution," Iran, the Iranian news agency, quoted President Ali Akbar Hashemi Rafsanjani as telling a Tehran news conference.

His remarks gave edge to hopes raised by reports of efforts in recent week to secure the release of 17 westerners, including eight Americans and four Britons, believed to be held by Lebanese Shia Moslem extremists loyal to Iran.

Other foreigners held include: Three Iranians and their Lebanese driver seized at a Christian militia checkpoint in 1982; Three Israeli servicemen missing since 1986 and Egyptian Moslem cleric Mohammed Mahmoud el-Jiar, who was seized in south Lebanon in March, 1988.

Mr Rafsanjani said Iran had received messages from the US about the hostages through western politicians visiting Tehran but was not talking to Washington directly.

However, a pro-Iranian Moslem group holding two Americans captive yesterday ruled out any imminent release of hostages.

"There is not a single tendency for the release of hostages," the Revolutionary Justice Organisation (RJO) said in a statement which was sent to Beirut's independent *al-Nahar* newspaper.

It accompanied its statement with a black-and-white photograph of American hostage Mr Joseph James Cicippio. The group also holds American book salesman Mr Edward Austin Tracy.

An Iranian foreign exchange dealer in London told Reuter that Mr Rafsanjani's remarks helped raise the rial to 1,320 to the dollar on Wednesday from 1,340-1,350 on Tuesday.

Many buyers held out, expecting further falls in the dollar, he said.

Mr Rafsanjani said: "We have told them [Washington and London] that we will use our influence only when they mutually use their influence for the release of Iranian hostages and also reduce their mischievous acts," he said.

Nothing has been heard of some of the Western hostages since they were abducted.

Syria, Iran's only Arab ally, which is the biggest foreign influence in Lebanon, has acted as a broker in previous hostage releases.

Iraqi quoted Mr Hussein Mousavi, a member of the central council of Lebanon's Hizbullah (Party of God), which is widely believed to hold some of the hostages, as saying that co-operation between Iran and Syria was the key to their release.

Rafsanjani said recent statements by Lebanese cleric Sheik Mohammed Bassein Faqih - spiritual leader of Hizbullah - and regional contacts had raised hopes of a release.

"The timing of statements by... Faqih and an article in an English daily on the release of the hostages seem to have created some hope. And they themselves have established contacts with national governments and my feeling is that the home of the hostages is moving towards a solution," IRNA quoted Rafsanjani as saying. He did not give any details of the contact.

Slower Hong Kong growth leads to tight budget

By John Elliott in Hong Kong

HONG KONG was yesterday presented with a belt-tightening budget which reflects a sharp decline in the colony's rate of growth to 2 per cent last year and a dramatic drop in the budgetary surplus from an estimated HK\$9.3bn (£723m) in 1989-90 to less than HK\$6bn projected for the coming year.

These changes in an economy which was booming at an annual average rate of about 13 per cent in 1986 and 1987, have been caused by the decline in world trading conditions, as well as the past year's slowdown in China's closely-linked economy.

Last year's 2.5 per cent GDP growth compares with forecasts in last year's budget of 6 per cent. The forecast for next year is 3 per cent and longer-

trend growth rate forecasts have been trimmed from 6 per cent to 5.5 per cent.

There was no growth in domestically produced exports last year in real terms, and the growth of re-exports from countries such as China, which use Hong Kong as an entrepot, rose by only 18 per cent compared with 46 per cent a year earlier.

Export problems were compounded by an increase in the value of the Hong Kong dollar, which is linked to the US dollar, in the first half of the year.

Private consumption expenditure rose by only 3 per cent, compared with 9 per cent in 1988, while growth in investment fell from 6 per cent to about 1 per cent, with 2.8 per cent forecast for this year.

Yesterday Sir Piers Jacobs, the Financial Secretary, delivered an annual budget speech aimed at curbing unnecessary public expenditure and raising a limited amount of extra taxation, mainly from consumers and upper-income earners.

His target is to build an economy that is sound enough both to carry out airport and other infrastructure projects, estimated to cost more than HK\$13bn in the next 12 years, and to withstand uncertainties as Hong Kong approaches its return to Chinese sovereignty in 1997.

Sir Piers, who has built up a reputation for failing to predict the course of the Hong Kong economy accurately, is still resting comfortably on consolidated figures of HK\$71bn, which amount to about 85 per cent of consol-

idated public expenditure. But he warned yesterday that Hong Kong, whose economy is highly susceptible to factors outside its control, in China and elsewhere, could no longer "take surpluses for granted."

The current financial year's surplus of HK\$9.3bn (on expenditure of HK\$73.3bn and revenue of HK\$82.4bn) compares with an earlier estimate of HK\$11.5bn.

Increases in public spending of around 26 per cent in nominal terms (about 10 per cent in real terms) proposed for the coming year would have turned this surplus into a deficit of HK\$2.4bn, after substantial transfers to reserve funds, if Sir Piers had not introduced taxation increases.

The tax changes are the biggest that Sir Piers considers socially and

politically acceptable, even though they leave him with a surplus of only HK\$720m, which is considerably smaller than his forecasting errors in recent years.

Duties are being raised by 30 per cent on petrol and diesel, 10 per cent on all liquors and alcohol, and 25 per cent on tobacco, and there are also increases in car and betting taxes. Rates, business, bank and deposit-taking licence and registration fees and other charges are also being raised.

Sir Piers has also been forced by a mixture of public opposition and apathy to shelve indefinitely plans he devised three years ago for introducing a sales tax. Instead he has begun to move from direct to indirect taxation.

Delhi may question arms deal suspects

By K. K. Sharma
In New Delhi

INDIA'S Central Bureau of Investigation (CBI) plans to interrogate all six people named in a preliminary charge sheet filed recently on alleged pay-offs made in connection with a £163m contract for the purchase of West German HDW submarines in 1981.

Mr S.K. Bhatnagar, who is a former secretary in the Ministry of Defence and is one of those named in the CBI's first information report, has already been questioned on charges connected with pay-offs in an arms deal with Bofors, the Swedish arms contractor. He will be questioned again soon about the Howaldtswerke-Deutsche Werft contract.

Mr Bhatnagar and other officials named in the allegations have refused to comment on the CBI move. Mr G.P. Hindujia, an Indian businessman resident in London, is also named in both the Bofors and HDW charge sheets. CBI sources said yesterday ways are being found to ensure that Mr Hindujia is interrogated in both cases.

Mr Hindujia has said he is innocent of the Bofors charges. He said in London yesterday that he also took strong exception to "this unwarranted accusation" involving the HDW submarine contract.

"I have consistently denied any involvement in the contract and I repeat this. In July 1987 HDW confirmed in a letter to the Government of India that there was no link between the Hindujas and the sale by HDW of submarines to the Government of India."

Mr Hindujia said that in April 1988 the then government of Mr Rajiv Gandhi told parliament an exhaustive investigation by the CBI had failed to produce evidence to link the Hindujas family to the HDW contracts.

The initial inquiries were ordered by Mr V.P. Singh, now Prime Minister and then Mr Gandhi's Defence Minister.

In 1981 India ordered two ready-built Type 1500 submarines from HDW, and two in kit form for construction near Bombay by the end of this year. At the end of 1985 India started discussions on an option to buy two more. The Indian Government received a report early in 1987 from the West German Government that HDW might have problems cutting its tender prices because of 7 per cent commissions payable to its agents. Employment of agents is banned in Indian defence contracts.

Sikh violence leaves 20 dead

AT least 20 people were killed and 30 others injured when Sikhs militants fired on a crowd at a marketplace in the Punjab town of Abohar yesterday, police said. Reuter reports from Amritsar. The attackers also exploded two bombs in the busy market as people fled in panic, police added.

Some may have also died in the bomb blasts but we have to ascertain facts," Deputy Police Inspector General Ajit Singh told Reuter. Abohar is 145 miles southwest of Amritsar.

Yesterday's killings were the first large-scale attack for several months by Sikh militants fighting for a separate home land they call Khalistan.

The Press Trust of India (PTI) news agency said the militants also exploded a bomb in a power station, disrupting the electricity supply to the town, and that this had hampered relief work.

PTI said the gunmen arrived at the marketplace in a jeep and opened fire with AK47 assault rifles for at least 15 minutes before escaping.

More than 350 people have been killed in the militant campaign so far this year. Last year about 2,000 people died.

Gabon teachers resume work

Teachers at Gabon's university in Libreville resumed classes yesterday after a week-long strike for higher pay, one of a series of recent work stoppages that have hit the country, Reuter reports from Libreville.

Various groups in Gabon have staged strikes to protest against the economic hardship caused by years of austerity imposed by the International Monetary Fund.

In January students at the Ouanou Bongo university overlooking the seaside capital clashed with security forces, sparking off a wave of labour and pro-democracy protests in this one-party state.

Meanwhile workers at Libreville's Sheraton hotel remained on strike to press for an immediate pay rise and to demand that five expatriates holding senior management posts be replaced by nationals.

The government-owned hotel which is managed by the international hotel group operated with a skeleton staff after the manager was injured during a brawl with strikers.

Israel avoids making peace talks decision

By Hugh Carnegy in Jerusalem

ISRAEL'S chronically divided Government yesterday backed off making a definitive response to US proposals on starting Israeli-Palestinian peace talks. Cabinet discussion of the issue was adjourned until Sunday.

Despite strong pressure from Washington for decision, the tensions between the Likud and Labour coalition partners again prevented either agreement or inaction for the talks or final disagreement leading to the break-up of their 15-month government.

Both sides continued to signal, however, that a resolution one way or the other was drawn in. Labour ministers, who had originally set yesterday as a deadline, said they would recommend that the party pull out of the coalition if the go-ahead for talks with the Palestinians was not agreed.

On the eve of International Women's Day, the women held sit-ins in the ICRC office in Nablus and Bethlehem on the West Bank, and in Gaza, Khan Yunis and Rafah in the Gaza Strip, the Palestinian said.

The parties are at odds over the participation in talks and subsequent elections of Palestinians from Jerusalem and, to a lesser extent, those deported from the Occupied Territories.

"We call on the international community to provide protection to our people against daily Israeli repression," they said.

Palestinians said soldiers and border police fired plastic-coated bullets and teargas at 250 women after they emerged from the Red Cross office in Gaza City carrying placards demanding Israeli withdrawal from the territories, where Arabs have been in revolt since December 1987.

The Israeli army said it was checking the report. The leadership of the uprising had called for demonstrations to mark Women's Day.

Afghan plotters 'in control of air base'

By Robin Pauley, Asia Editor

TROOPS loyal to General Shanawaz Tanai, the Defence Minister who led a coup attempt on Tuesday, were last night reported to be in control of Afghanistan's largest air base at Parwan, north of Kabul. Kabul was under curfew.

Fighting continued in the capital as it became clear that Tuesday's attempted coup was far from over. One unconfirmed source said President Najibullah had left Kabul and fighting appeared to be spreading to other cities.

Government officials acknowledged that fighting between rival military factions was continuing, contradicting President Najibullah's earlier claim that the coup attempt had been crushed. The heavy fighting in Kabul included further aerial attacks and shelling.

The coup attempt appears to have been a strong challenge to President Najibullah and the Parcham wing of his People's Democratic Party of Afghanistan by the Khalqi wing which is a minority faction in the government. The Khalqi wing has strong support in the army and air force.

There were new reports yesterday of fighting between rival factions in the southern city of Kandahar and the north-western city of Herat. This would be a serious development, indicating nationwide splits in the army and every major city except Jalalabad under fire.

Afghan mujahideen leaders, based in Pakistan, claimed yesterday that three senior Afghan generals flew a transport plane to the Pakistani border and surrendered to the mujahideen and that Afghan helicopters and fighter planes had landed



Coup leader Shanawaz Tanai (left) and guerrilla leader Gulbuddin Hekmatyar

at towns along the border.

Radio Kabul yesterday accused a second high-ranking party member, Asadullah Sarwari, a former interior minister, of involvement in the coup plot. He is also a member of the Khalqi faction but it is not clear whether he was a plotter.

Gulbuddin Hekmatyar, the most extreme of the fundamentalist Moslem rebel leaders based in Pakistan, offered his support to General Tanai within hours of Tuesday's coup attempt. This appears to have been opportunism as Hekmatyar and Tanai have no goals in common other than the removal of President Najibullah. Tanai wants Khalqi-dominated administration; Hekmatyar wants a fundamentalist Islamic state.

rebel leaders based in Pakistan, offered his support to General Tanai within hours of Tuesday's coup attempt. This appears to have been opportunism as Hekmatyar and Tanai have no goals in common other than the removal of President Najibullah. Tanai wants Khalqi-dominated administration; Hekmatyar wants a fundamentalist Islamic state.

General Chatchitala Choonhaven, the Prime Minister, also said that he had asked the four main suppliers of arms to Phnom Penh and to the anti-government forces - China, the Soviet Union, France and the US - to halt any further deliveries.

Cambodia's warring factions face Thai threat

By Roger Matthews in Bangkok

THAILAND is seeking to put pressure on the warring factions in Cambodia by threatening to repatriate some of the 300,000 refugees in the 10 United Nations-supplied camps on its border and by asking third countries to halt any further arms supplies.

The Thai Cabinet, which has been in power since December, has agreed to withdraw its troops from the border.

Until now Thailand had subscribed to the policy of the Association of South-East Asian Nations (ASEAN) which only allowed for repatriation in the wake of a comprehensive Cambodian peace settlement.

The Khmer Rouge and the two non-communist guerrilla groups headed by Prince Norodom Sihanouk, the former head of state, and Mr Son Sann, a former Prime Minister, each exercise political control in the different camps and use them as a recruiting ground for their respective armies. If

the Thais carried out their threat to establish neutral camps it could rob the factions of their main source of new manpower.

General Chatchitala Choonhaven, the Prime Minister, also said that he had asked the four main suppliers of arms to Phnom Penh and to the anti-government forces - China, the Soviet Union, France and the US - to halt any further deliveries.

General David Caygill, the Minister of Finance, and the Minister of Defense, Mr Richard Preble, have both emphasised that no final decision has been made.

However, Mr Preble and the Minister of Defense, Mr David Caygill, have both made speeches this week arguing that Thailand should be sold.

The Cambodian factions have been unable to agree on a sale, including from within the Khmer Rouge, following an undertaking that the taxpayer will be better off.

However, the Cabinet, which has swung to the right since its leader, General Sihanouk, was ousted, seems keen to sell the assets before June 30 because of a large deficit, which could be as high as

£100m (\$1.8bn). The Government might retain a "golden share" to ensure that the new owner does not impose charges for domestic calls.

In 1987, Labour gave an assurance in its election manifesto that Telecom would remain in public ownership.

Profits for the six months to September 30 were £241.3m, of which the Government took £30.8m in dividends.

The sale of the profitable state asset is shaping up to be highly controversial, with former Prime Minister David Lange leading a group of backbenchers opposed to a rushed sale unless it can be demonstrated to the public's satisfaction that the taxpayer will be better off.

However, strong political rationale behind the initial battles, most of those involved now agree that the violence has gone well beyond politics - and may no longer be susceptible to purely political solutions.

The vast majority of township dwellers know little and care less about politics: asked why they support the UDF - known as the "comrades" - or Inkatha, few can outline the basic policies of either organisation.

The fact that Inkatha opposes sanctions, and the UDF supports them, or that Inkatha stands for free enterprise and the UDF for socialism, seems to matter little.

In many cases, the divisions are more geographic than political: if a hard core from either group takes refuge in a particular area, the entire area is labelled Inkatha or UDF, regardless of the sympathies of the majority.

After four years of fighting, in which scarcely a family has been left untouched, revenge gives the violence a momentum of its own. "A

Zulu believes, 'a tooth for a tooth,'" says Mr John McIlroy,

The Europeanist.

TUESDAY MARCH

Delhi may
question
arms deal
suspects

By K. K. SHAMAN

Times Staff Writer

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OVERSEAS NEWS

Qatar's divers rediscover the natural pearl

Victor Mallet in Doha looks at the resurgence of an ancient and arduous industry

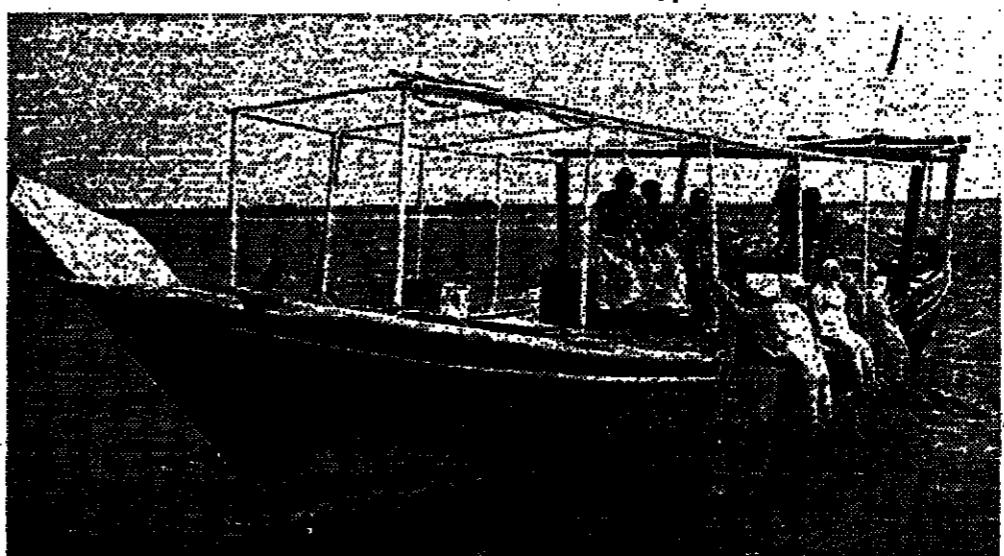
At the turn of the century almost all the inhabitants of Qatar were dependent on the pearl industry, in the same way that they are now dependent on crude oil and natural gas. Each summer the men would sail away into the warm waters of the Gulf with the pearl fishing fleet.

Harvesting pearls was an arduous task - the divers would sink to the oyster beds with the help of stone weights, nose clips, and cotton suits to protect them from jellyfish - and they returned exhausted to rejoin their families several months later.

By the 1930s the industry had been destroyed by the international economic depression and the advent of cheaper cultured pearls from Japan.

Today the natural pearl is staging a comeback, according to Mr Hussain Alfaridan. As one of the world's leading buyers and sellers of natural pearls, he has watched prices rising inexorably from his headquarters in the Qatari capital Doha. Purchasers looking for the real thing are hunting a limited pool of pearls which is replenished by only a trickle of new supplies.

"People recognise what is the meaning of the natural pearl," he says, displaying a magnificent \$1.5m Alfaridan necklace of the finest rose-



Pearl divers off the coast of Doha are enjoying the fruits of a comeback in the industry

hued natural pearls, and fingered several million more dollars worth of loose pearls spilling from the traditional red cotton bags onto his office desk. "The natural will last for ever like any precious stone; the cultured has a limited age."

The best natural pearls, he adds, come from the Gulf. They come in all shapes and sizes, each with its own classification in the jargon of the pearl trade. Even the rare black pearls are

highly prized. A natural pearl, around a grain of sand, may take a decade to grow to a size it would take a typical cultured pearl - with the help of a large artificial implant in the oyster - only a couple of years.

Mr Alfaridan and his brother Hassan established their jewellery business in 1954, using the expertise inherited from their father Mr Ibrahim Hassan Alfaridan, a pearl trader who died at the age of more than 100. These days new natural

pearls are hard to find - although a handful are sold by divers from Kuwait and the United Arab Emirates - and Mr Alfaridan scour the international auction markets in London, Paris, New York and India to supply the family's jewellery shops around the Gulf.

"Anywhere it's available we buy it," he says. "Every year the price goes up because demand is too much and there's a shortage in the market."

In the Gulf and in India pearls are traditionally measured in terms of the "chau" (one carat is 0.6518 chau, but if that sounds simple, two carats are equivalent to 2.6074 chau), and over the past two decades prices have risen steadily. A "gwan", the finest grade of pearl in shape, colour and sheen, was once worth a maximum of 100 Qatari riyals per chau, but now reaches QR 2,000 per chau.

The price rises prompted the Alfaridans to look into the idea of establishing their own pearl-fishing company, but they decided that the cost was prohibitive. "Now there's a few individuals and fishermen enjoying themselves," says Mr Alfaridan, "and sometimes they get a good pearl and get good money."

Mr Alfaridan thinks he knows a good natural pearl when he sees one, but is not above having them tested in the laboratories of the Gemological Institute of America to acquire the necessary certificate for valuation.

As Chairman of the family business group has other interests in the Gulf but the pearls he learnt about at his father's knee remain close to his heart. "From the moment I opened my eyes I started knowing about pearls," he says. "This is one part of my business, but it's my personal favourite."

Lebanese insurers battle on through war and destruction

By Lara Marlowe in Beirut

TO THE OUTSIDER the idea of selling insurance in Lebanon would sound like madness. Yet after 15 years of war, more than 100,000 deaths and billions of dollars of damage, at least 70 insurance companies are still operating in Beirut and they are making profits.

Through the civil war, Lebanese insurers have learned to minimise their own risk by refusing to cover most effects of the war.

Potential risk insurance is not available. Many clients have cancelled burglary and fire coverage because burglars use grenades to break in and most fires are started by shell落 circumstances which nullify contracts. The prevalence of car theft in Lebanon has pushed premiums so high that few people buy it. Kidnap insurance is never caught on because of the number of exiles and lack of volume.

But marine insurance is a steady earner, sales of life insurance increase 20 to 30 per cent each year and personal accident insurance - especially with the "passive war" rider - is doubling annually.

In Beirut, one militia is even said to have obtained "active war" insurance on the London market for its combatants.

Passive war insurance covers the insured as long as he does not carry a gun. Underwriters say they reap a profit from the marginal increase on the basic premium.

Although nearly 1,000 Lebanese died during bombardments in 1989, Arab Universal Insurance and Reinsurance Company, part of the Mediterranean Investors Group, suffered only three war casualties from 25,000 insured last year.

Twenty-seven maritime companies still deliver goods to Lebanese ports. Because insurance is required to open letters of credit, the marine insurance market is stable, although clients often under-insure.

Ships are insured while at sea, but coverage ceases upon arrival in port. As last year's naval blockade showed, the chances of hitting a moving vessel are low. Nine crew members died in the worst of several maritime incidents, which cost the insurers of the "Sunshield" oil tanker \$1m.

"We even got Lloyd's to quote on marine war risk during Gen Michel Aoun's 'war of liberation' against the Syrians," said Mr Ramez Abu Haidar, the assistant general manager of Astra Insurance.

"At 4 per cent of the sum insured, it was expensive - compared to a normal rate of 1 per cent or lower. Some of the local companies were offering marine insurance for one third of Lloyd's prices."

"If you take marine risk for the big established companies it's good business," said Mr Marek Simo, the Lebanese underwriter for Alpha Zurich and the manager of Income Insurance Company for the Middle East.

"But the one-shot importers try to save money on packaging and shipping. They're hit-and-run artists."

"There is an incredible amount of insurance fraud. This is our main plague," Mr Abu Haidar said.

"We don't do hull insurance because of 'moral hazard.' People don't maintain their ships or they buy ships that are scrapyard quality, beach them during the night, unload the cargo and then claim for

the ship and the cargo."

Fraud is a problem throughout the Lebanese industry. When the holder of a life insurance policy with a war cancellation clause dies, his beneficiaries often try to prove that he died of natural causes rather than war wounds. "In certain instances we detect fraud," said a leading Lebanese life insurer. "But sometimes it is so well-documented that you have to pay, even though you see something rotten."

Because it is easier to file claims for out-patient care by visiting doctors or pharmacists, most Lebanese companies offer only in-hospital medical coverage.

Another problem is the tendency for clients to "share" their medical insurance identification cards. "We are very selective and can afford to be," said an executive at Arab Universal, one of the top 10 insurance companies in Lebanon. "The most important criteria are the person's integrity and reputation."

The director of the last American insurance company in Lebanon who requested anonymity for his company, retains 57 per cent of the Lebanese Life Insurance market.

It provides group life and medical plans for banks, embassies, airlines and industries. "To attract and keep good employees they have to offer these benefits," he said.

The increase in the cost of medical services in Lebanon and the paralysis of the government social security system has led many more companies to seek group coverage for their employees.

"Smaller local companies give lower rates and are very liberal in accepting any kind of risk," the director of the American company said. "Later they increase their rates and start making exclusions. It's a very competitive market, especially in medical and hospital insurance."

There are certain companies willing to take any risk to get the premium."

Well-established companies have been able to carry their own reinsurance or have had little difficulty obtaining it in London. The Association of Lebanese Insurance Companies established an insurance pool through Lloyd's to assist members who could not obtain reinsurance on their own.

The move from Lebanese pounds to dollars in the Lebanese market has also helped to alleviate reinsurers' fears of dealing in an unstable currency. Lebanese underwriters are now steeling themselves for a new round of claims from the latest inter-Christian battles. Nonetheless, they are optimistic.

They say that 80 per cent of the Lebanese insurance market is untapped. The municipal and stamp taxes on premiums - paid by the client - are low compared to taxation in other countries. The lapse ratio of Lebanese insurance policies - 15 to 20 per cent for life insurance - is the lowest in the region.

Some Lebanese underwriters even claim they are better off than their colleagues in Europe or America. "We don't have catastrophes like the San Francisco earthquake, Hurricane Hugo, oil spills or the storms in France and the United Kingdom this winter," Mr Simo said. "The war took us by surprise in the beginning, but we have adapted."

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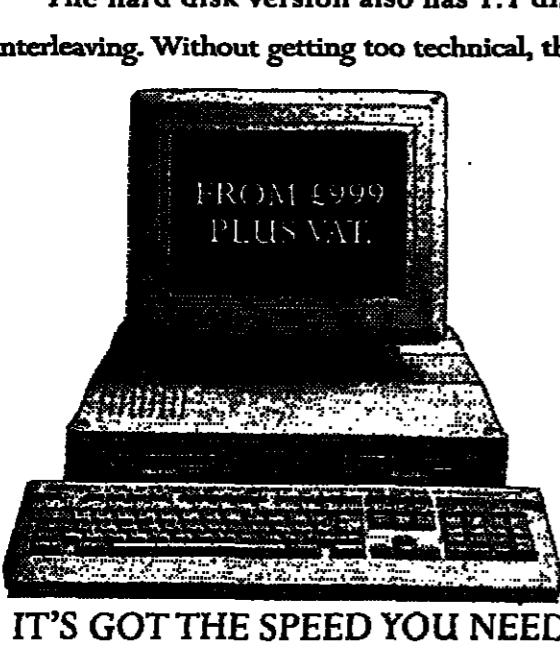
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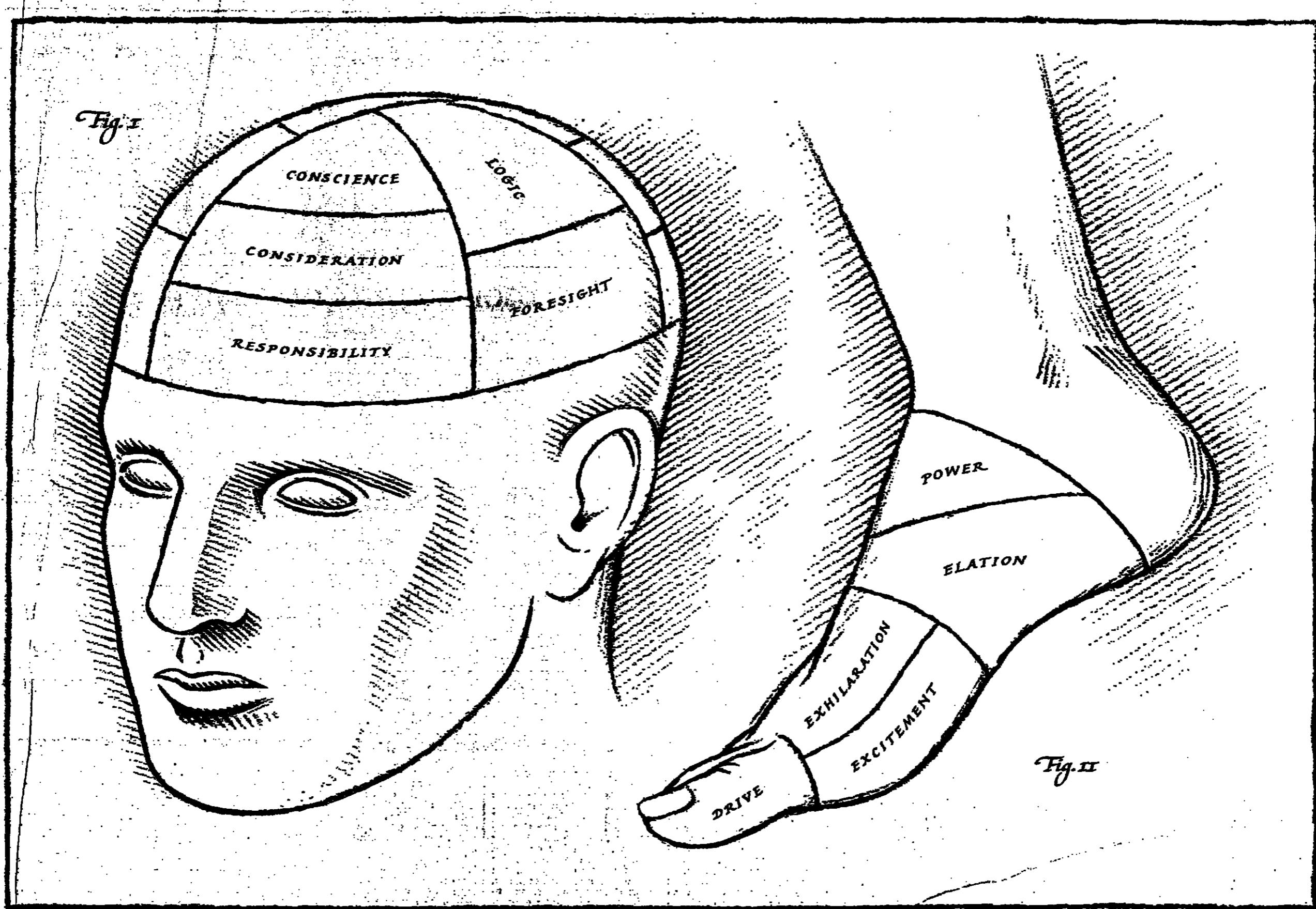
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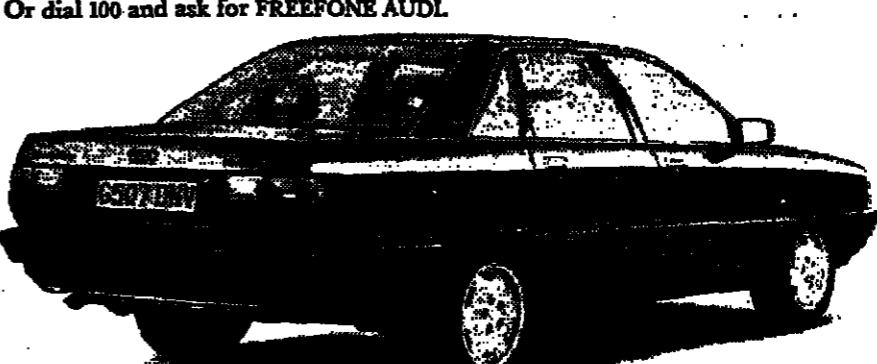
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WORLD TRADE NEWS

Gulf states criticise EC for failing to sign trade deal

By Hunter Reynolds in Bahrain

THE EUROPEAN Community has come under strong attack from the Gulf Co-operation Council (GCC) over its unwillingness to sign a free trade agreement. Addressing a banking conference in Bahrain, Mr Abdulla Yacoub Bishara, Secretary General of the GCC, said: "There is a general sentiment in Europe against an agreement with the GCC. For us it is a sine qua non."

The GCC, established in 1981, is made up of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United

Arab Emirates.

The comments are likely to raise the temperature at the EC-GCC foreign ministers' summit scheduled for March 17 in Muscat. The meeting will be the highest contact ever held between the two economic groups.

The GCC is looking for an end to quotas and tariffs on petrochemicals and aluminium produced in Gulf states, in particular Saudi Arabia, and to reduce its \$4 billion trade deficit with the EC.

In December, European foreign

ministers agreed on a mandate for the Commission to negotiate a free trade agreement with the GCC. The mandate included a long transition period before the complete elimination of trade barriers. Mr Bishara said the limitations of the mandate were an unacceptable basis for talks.

"We will put our views to the European ministers very firmly," Mr Bishara said. A recent meeting in Spain attended by European and Gulf business leaders as well as officials from both the EC and GCC served to

highlight the differences between the two groups. "We did not see eye to eye," he GCC Secretary General said. "As a result of the talks, I am not optimistic about the prospects for a free trade pact."

He denied claims by European industrialists that cheap energy inputs mean that Gulf petrochemicals are effectively subsidised.

European governments are insisting that the Gulf states unify their own internal tariffs before an agreement is put into effect. During a

recent visit to the Gulf, British Trade Minister Lord Trefgarne, said it made no sense to have a free trade accord until a customs union was in place in the Gulf. Import tariffs range from 4 per cent in the UAE to 10 per cent in Oman.

Mr Bishara said work was under way on a GCC common market, but predicted that it would not be in place at least until 1995. The GCC

wants to sign an agreement with the Community before then.

• Investments from oil-rich Gulf

Honda says no obstacles remain to EC exports

HONDA MOTORS Europe said yesterday that nothing was stopping European carmakers selling their products in Japan, but duties and quotas were impeding Japanese sales in Europe, Reuter reports from Geneva.

"There are no obstacles (on Europeans into Japan)," Mr. Osamu Iida, president of the Japanese group's European subsidiary, said on the eve of the 8th Geneva International Show.

"We have to pay 10 per cent import duty to export from Japan to the EC, while in Japan it is zero," Mr Iida said.

Europeans have complained in the past that, although the Japanese market for cars was theoretically free, there were other hidden bureaucratic, legal and cultural barriers. Mr Iida maintained these impediments no longer existed.

Much paperwork on imports (into Japan) has been eliminated. The legal requirements from the government on imports are even less than required for some countries in Europe," he said.

Honda said earlier that its NSX luxury three litre V-6 sports car will be on sale in the US and Japan this autumn with European sales starting later this year. About 3,000 of the powerful two-seaters, which are capable of speeds of up to 250 km an hour, will be produced initially each year.

A main practical worry on the import side is how well the Foreign Trade Institute (Incomex) and customs will adapt to changes. The institute's red tape is already being attacked but customs are notoriously corrupt and contraband leaks in across all the frontiers. Future governments will also have to consider reforming Colombia's rigid exchange control system if the country's economy is truly to open up.

Mr Iida, who is also a member of the Honda Motor Co board in Tokyo, had been asked for reaction to news from Brussels earlier this week that some EC members wanted tight restrictions on Japanese car sales in Europe to continue when the bloc's single market is completed at the end of 1992.

A wide range of curbs on Japanese car sales at present apply among the EC community members. France and Italy restrict them to 3 per cent and one per cent of their markets respectively, while Britain has a ceiling of about 1 per cent. Sales are freely allowed in West Germany.

In Europe as a whole Japan accounts for 10.8 per cent of sales which hit a record 13.4 million vehicles last year.

In 1989, foreign car imports in Japan accounted for 4.5 per cent of a market which totalled just over four million.

\$2.2bn order for Pratt and Whitney

By Paul Bettis, Aerospace Correspondent

SINGAPORE Airlines (SIA) has chosen US Pratt and Whitney jet engines to power its new long-range fleet of Boeing 747 and McDonnell Douglas MD-11 aircraft, dashing Rolls-Royce's hopes of winning the \$2.2bn (£1.35bn) deal.

SIA confirmed yesterday it had placed the order for 234 engines with Pratt and Whitney, the engine subsidiary of United Technologies, after what it called an exhaustive four-month evaluation of engine options.

Pratt and Whitney was widely regarded as the favourite to win the order because the airline's existing jetliner fleet is powered by Pratt and Whitney engines. But both General Electric of the US and Rolls-Royce felt they had a chance when SIA decided to hold back on its engine order in announcing its purchase of Boeing 747 and MD-11 jets.

The aircraft order involved 20 Boeing 747-400 and 20 MD-11 airliners worth a total of \$4.6bn. The deal involved 15 firm orders and 15 options for the Boeing 747 together with five options and 15 options for the MD-11 for delivery between 1994-1998.

The engine order won by Pratt and Whitney yesterday covers 152 engines, including spares, for the Boeing 747 four-engine airliner and 83 engines, including spares, for the MD-11 trijet. SIA chose the PW 4066 engine for its Boeing 747 and the PW 4060 for the MD-11. The airline said that after taking account of all financial and technical factors, it decided that the Pratt and Whitney engine "had the edge".

ALTHOUGH Colombia has decided to open up its economy, it has been slow to adopt trade liberalisation policies and will be even slower in implementing them. Gradualism is the concept underlying the five-year programme designed to make products competitive, to boost exports and raise economic growth.

In fact, the first measures announced by the full economic team with considerable fanfare are so mild that their impact may be more symbolic than substantial.

Licences for the import of mainly raw materials and capital goods, transferred to the unrestricted category last week, were already receiving an

\$150m (£91m) the Government is seen by many as being too timid.

The World Bank has been pressing Colombia to follow the Latin American trend towards liberalisation for some time. Last year the programme was revised and President Virgilio Barco has chosen a curious moment — two weeks before the first round of elections and less than six months from the end of his Government — to give the go-ahead. But there are World Bank loans to be finalised, then further roll-over credits to be negotiated with the commercial banks. The IMF's endorsement will be needed.

Economic policy is remarkably conservative and stable in Colombia, with the central bank playing an important role. None of the candidates with a serious chance at the presidency has rejected liberalisation and none is offering an

alternative model. By the time the new government takes over a business lobby will be ready to defend freer imports. During the next two years, according to the plan, tariffs will gradually take over the regulation of imports. A novel bidding system will be used to establish the tariff rate for the first \$150m, with importers making offers on the basis of the price they think Colombians will pay. As industry adjusts to competition, tariffs will be reduced to reach an average of 25 per cent at the end of the five-year period.

Extra income from import duties in 1990-91 will go towards improving road, rail, air and port links and ports.

Already, private companies

have been authorised to manage their own port facilities and the monopoly on coffee transport is being lifted. The road between Cali and Buenaventura, the only big Pacific coast port, is to be rebuilt. A \$22m rail rehabilitation programme is due to start next year. Another \$38m is to be spent on expanding air cargo terminals.

Devaluation, which is running at more than 30 per cent during the year — 4 per cent

higher than the inflation rate — will work to encourage exports. Colombia is heavily dependent on coffee, oil and coal and non-traditional exports account for only about 35 per cent of foreign income. As protection is removed and industry becomes more productive, with the capacity to sell abroad, non-traditional exports should grow by some 20 per cent a year.

Apart from a brief experi-

ment in trade liberalisation 10 years ago — which contributed to a recession — Colombia has been strongly protectionist.

The change in attitude is largely due to the depressing

outlook painted by economic forecasters. Unless Colombia opens up, they say, economic growth will stay at around 3 per cent and inflation will rise.

Low coffee prices combined with poor non-traditional export growth and the drop in service income from drug dol-

lars, will send the current account deficit rocketing up.

On the other hand, the new strategy will generate growth rates of about 5 per cent a year. Consumers will benefit as inefficiency and monopolistic pricing are quashed by competition. International reserves will drop at first but recover after 1992. Imports, worth \$6.7bn last year, will rise to \$6.1bn in 1992 and exports will go from \$5.5bn to \$8.1bn in the same period.

A main practical worry on the import side is how well the Foreign Trade Institute (Incomex) and customs will adapt to changes. The institute's red tape is already being attacked but customs are notoriously corrupt and contraband leaks in across all the frontiers. Future governments will also have to consider reforming Colombia's rigid exchange control system if the country's economy is truly to open up.

Colombia takes the long view in opening up markets

Bogotá has been persuaded that liberalisation will generate quicker growth, reports Sarita Kendall

By

Paul

Bettis

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Aerospace

Correspondent

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You don't
have to
tip your
waiter on
Upper Class,
because you can
get there.

Heavens, that's a bit harsh isn't it?

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UK NEWS

Motorola to spend £100m on new plant in Scotland

By Hugo Dixon and James Buxton

MOTOROLA, the US communications and electronics group, is to spend more than £100m in Scotland setting up a large factory to make mobile phones.

The factory at Easter Inch, West Lothian which is eventually to employ 2,000 people, will be Motorola's main plant for selling cellular phones to the European market. The US group is the world's leading manufacturer of cellular equipment — a market which is growing at more than 20 per cent a year worldwide.

The project was to have been announced by Mrs Margaret Thatcher, the prime minister, during a visit to Scotland tomorrow as an example of how the Scottish economy is proving successful in attracting inward investment.

The plant is the second large inward investment project to be won by Scotland this week. On Monday, Conner Peripherals, a Californian computer disc-drive maker, unveiled a scheme to create up to 1,500 jobs in Irvine. The possible creation of more than 3,000 jobs

makes up for disappointment in Scotland over some recent inward investment projects which went to Ireland or other parts of Britain.

Mr Don Burns, general manager of Motorola's European subscriber equipment division, said the company had acquired a 91-acre site at Easter Inch.

He added that more than 50 per cent of the components for the new West Lothian factory would be made in Europe and that, in the long run, he hoped the proportion would be 100 per cent. He also held out the prospect that some of the group's research and development on cellular phones would eventually be done in Scotland.

Motorola already has factories in Stotfold and in Flensburg, West Germany, making mobile phones.

One of the reasons the company has chosen to locate so much of its European cellular manufacturing in the UK is that the mobile communications market has grown much faster in Britain than in most other European countries. Mr Burns expects 10m Britons to

have mobile phones by the end of the century, up from just under 1m today.

Manufacturing would start later this year on a temporary facility and the main factory would be completed next year.

"We will be recruiting like

mad," Mr Burns said.

He said the decision to locate in Scotland had been made because of the availability of a satisfactory site and satisfactory people. Moreover, the Scottish Development Agency had provided a "very aggressive, attractive package, including training grants and help with finding the site."

Mr Burns said the 650 jobs in the Stotfold factory were secure because it was concentrating on analogue equipment while the West Lothian plant would be making digital phones for the pan-European cellular network and for Britain's new personal communications networks.

Cellular infrastructure will be made at another new Motorola plant near Swindon, while software is being developed at a centre in Cork, Ireland.

MP admits he failed to declare interests

By Alison Smith

MR JOHN BROWNE, the Conservative MP facing suspension from parliament after failing to declare all his business interests, yesterday apologised to the House of Commons, but said that his errors had arisen from "misunderstanding" of the rules on disclosure.

In a statement to MPs, Mr Browne said: "I now recognise that some seven to eight years ago I failed to register properly all my interests".

A Commons committee recommended that the House should take action against Mr Browne for failing to declare a payment of more than £50,000 from the Saudi central bank and a "client" relationship with a firm of Lebanese muddle.

The moves reflect mounting worries about congestion, especially in London and south-east England.

US company move

J.I. CASE, the US construction and farm machinery maker, is closing its factory in Redruth, Cornwall, and transferring production to Spain and North America.

The Redruth plant, built in 1881, last year made 2,000 skid-steer loaders, a small construction machine, as well as components for backhoe loaders, another type of earth mover.

Visitors to UK

Record numbers of overseas visitors came to Britain last year helped by a surge in tourists from western Europe and the Far East, including Japan, according to figures released yesterday by the Department of Employment.

Some 17.5m visitors came to Britain last year, a rise of 9 per cent on 1988. These visitors also spent 11 per cent more at £26.55m than they did the previous year.

Oil employment

The number of people employed in oil-related work in Scotland continued to rise to its highest level since the end of 1985, before the downturn in North Sea offshore activity due to a collapse of oil prices.

There were 61,500 people working in companies wholly and permanently engaged in oil-related work at the end of 1988, according to a survey by the Training Agency. That compares with the 1988 peak of 65,000 such workers.

Japanese property

Kumagai Gumi, the Japanese property and construction group, has expanded its London portfolio with the purchase of Victoria House, a 57,000-square-foot office block on Kingsway in central London for £22m.

The seller was Prudential, the insurance group which has been reorganising its £4bn property portfolio and last month sold 270m of shops to Merivale Moore, a British property company.

Sheffield Uttd sold

Sheffield United, one of Britain's oldest football clubs, is to change hands. The club announced yesterday that the majority stake held by the chairman, Reg Bresley, is to be bought by Mr Sam Hashmi, an Iraqi-born businessman.

Advertising deal

Dewe Rogerson, the financial communications group, yesterday won the £15m advertising account for the Trustee Savings Bank.

FORD UK

FORD UK, the British subsidiary of the US motor manufacturer, achieved a market share for short of its target of 30 per cent in February for the second month in a row, according to figures from the Society of Motor Manufacturers and Traders.

Advertising deal

Dewe Rogerson, the financial communications group, yesterday won the £15m advertising account for the Trustee Savings Bank.

NORWAY

The Financial Times proposes to publish this survey on:

21st May 1990

For a full editorial synopsis and advertisement details, please contact:

Chris Schramm or Gillian King
on 01-873 3428 or 4823

or write to them at:

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Cause was helped by newspaper treatment

By Richard Waters

THIS cause was aided by generally favourable treatment in the press, which gave further credence to claims about their background and wealth.

The inspectors note that once misleading reports about the Fayed brothers had begun to appear, they were picked up from newspaper cuttings files by other journalists. That added to the growing myth.

Meanwhile reports which questioned the ownership of the money used to buy the House of Fraser were met with with. One of these reports was by Mr Duncan Campbell-Smith, an investigative reporter on the Financial Times in early 1982.

The article, say the inspectors, is "remarkable" in being the only substantial article published in the British press after March 1985 to cast serious doubt on the Fayed brothers, except those in the *Lourenco-owned Observer*.

Mr Campbell-Smith is described as a "thorough, very painstaking" journalist.

He quoted Kleinwort Benson, the merchant banker advising the Fayed brothers, as saying that there was "no hidden hand behind" the Fayed brothers.

He added: "No one seems yet to believe them."

The Financial Times later published a qualified apology to this, pointing out that the Department of Trade and Industry and other government bodies had accepted the assurances of the Fayed brothers, backed by Kleinwort.

That and similar assaults were set in motion by Mohamed Fayed, the inspectors say. They amounted to a "constant and unprincipled process of ganging" the press.

"As a result of what happened, the lies of Mohamed Fayed and his success in a ganging" the press created... new fact: that lies were the truth and that the truth was a lie," the report says.

CHRONOLOGY

April 1973: Mohamed Fayed joins Lourenco board. He later resigns.

July 1977: Lourenco buys 25 per cent in Scottish and Universal Investments (SUTS), which owns 10 per cent of House of Fraser.

September 1977: Lourenco takes 10 per cent stake in HoF.

July 1978: Lourenco bids for SUTS. Monopolies and Mergers Commission (MMC) allows the bid in March 1978.

August 1980: Prof Roland Smith replaces Lourenco chief executive Tiny Rowland as HoF chairman.

January 1981: Lourenco bids £225m for HoF. MMC blocks bid in December.

May 1984: Office of Fair Trading investigates Lourenco attempt to add 12 directors to HoF board.

June 1984: Trade and Industry Secretary Norman Tebbit asks MMC to examine Lourenco's battle for HoF boardroom control.

August 1984: DTI clears Lourenco of secretly buying HoF shares.

November 1984: Lourenco sells 25.9 per cent HoF stake to the Fayed brothers for £133.3m, bringing its profit of £70m — then buys a new 6 per cent holding. Mr Rowland leaves HoF board.

March 1985: Fayed bid £615m for HoF. Lourenco sells HoF shares in the market, which are bought by Fayed. Mr Tebbit drops 1981 bid on Lourenco bid — three days after Fayed have gained control. He decides not to refer Fayed deal to MMC.

April 1987: DTI inspectors appointed to investigate HoF share purchases in 1984 and 1985.

July 1988: Inspectors' report given to Trade and Industry Secretary Lord Young, who calls in Serious Fraud Office (SFO).

November 1988: Lourenco asks courts to force Lord Young to publish report and consider referring Fayed's takeover to MMC.

January 1989: High Court backs Lourenco demands — Appeal Court overturns decision.

April 1989: Lord Young says report discloses wrongdoing.

March 1990: SFO and Director of Public Prosecutions find insufficient evidence for criminal proceedings. Report released.

CENTRAL to the report are claims made by the three Fayed brothers — Mohamed, Ali and Salah — and repeated by their advisers in the run up to and during the HoF bid in March 1985.

These included the brothers' family and business background, their wealth, and the assertion that they could buy the House of Fraser from their own resources. All are subjected to close scrutiny in the 752-page report.

THEIR OWN funds." And how, on October 21 1984, did the Fayed brothers finance a dispute between a British citizen and the Sultan of Brunei over the Sultan's education at the English-style Victoria College in Alexandria?

Two cargo ferries, and 14 other vessels involved in servicing the offshore oil industry.

The Ritz Hotel, Paris. The Fayed brothers valued its trademark alone at \$20m, but the inspectors cast doubt on this.

Quite valuable" interests in property, particularly in the UK, US and France.

Other sources included \$2m in profits from the film *Charots of Fire* by 1985, and \$3m between 1981-84 in commission on aircraft sales.

The brothers had no valuable interest in oil. Their claim to have made \$400m from a secret oil trading partnership in the early 1980s is rejected out of hand. The Fayed brothers' claim to having had interests in construction at the time of the bid is also rejected.

So where did the \$25m come from to buy HoF? The inspectors say: "We are of the very clear opinion that none of the activities of the Fayed brothers which we have been told generated sufficient cash for the Fayed brothers to have been in a position to acquire HoF, or any substantial part of it, from

their own funds." And how, on October 21 1984, did the Fayed brothers finance a dispute between a British citizen and the Sultan of Brunei over the Sultan's education at the English-style Victoria College in Alexandria?

The inspectors also say that he possessed a power of attorney which enabled him to "draw very large sums of money from a bank."

By the end of April 1985, however — six weeks after the successful bid for HoF — all powers of attorney had been cancelled, and the relationship between Mr Mohamed Fayed and the Sultan "had undergone a very substantial change."

The inspectors say: "We are both of the clear opinion that the funds with which the Fayed brothers acquired HoF accrued to them through the Sultan of Brunei." They add that there is no evidence that the Sultan knew what was happening.

However, they conclude:

"The evidence before us... indicates that it is likely that the Fayed brothers used their association with the Sultan of Brunei and the opportunities afforded to them by the possession of wide powers of attorney from the Sultan of Brunei to enable them to acquire those funds."

Mr Mohamed Fayed advised the Sultan on a broad range of financial matters from early in 1984. It was after June 1984 that "astonishingly large sums of money" began to find their way into the Fayed brothers' accounts, and at the same time a "quantum leap" occurred in the scale of transactions. Mr Mohamed Fayed discussed with his merchant bank advisors — including a plan to buy the Savoy hotel group.

In the second half of 1984, Mr Mohamed Fayed was given

enhanced by their British names and (in the case of Mohamed) his education at the English-style Victoria College in Alexandria.

This picture, say the inspectors, is "completely bogus." They state: "The Fayed brothers produced birth certificates which were false and which they knew to be false. They repeatedly lied to us about their family background, their early business life and their wealth."

In reality, the Fayed brothers' father was a teacher of Arabic who lived at the time they were born in a poor district of Alexandria known as the Gomrok.

Mr Mohamed Fayed, the oldest brother and the person at the forefront of the HoF bid, began as a salesman for the Singer Sewing Machine Company on E210 a month, and was employed in the early 1980s by the wealthy businessman Mr Adnan Khashoggi in a business importing furniture into Saudi Arabia. It was only after his break with Mr Khashoggi that the Fayed brothers' first business was set up in 1985.

Mr Mohamed Fayed's subsequent business dealings are given in detail, including his involvement in shipping agency business in the eastern Mediterranean, freight forwarding, and an involvement in the great construction boom in Dubai.

The report says that increased borrowings by the

group in the five years to 1987 had a clear impact upon its profitability.

The inspectors conclude:

"We have no doubt at all that Mohamed Fayed perpetrated a substantial deceit on the government and people of Haiti in 1984. In particular, he deprived the harbour authority of more than US\$100,000 of money it could ill afford to lose."

By the end of April 1985, the Fayed brothers' father extended widely, although not on the scale described in their own press releases. According to the inspectors, from the mid-1980s the brothers had developed principally in three areas: shipping agency business in the eastern Mediterranean, freight forwarding, and an involvement in the great construction boom in Dubai.

The inspectors put to the Fayed brothers the view that they were speculating with HoF's facilities on a venture distinct from its trading. Both denied the suggestion.

A refinancing package put in place at HoF in April 1988 had been "clearly sensible," the report says, and had enabled the repayment of loans at manageable rates of interest. How-

ever, the inspectors say that Mr Ali Fayed is a "concerned and diligent chairman" of HoF (Stores) with a "financially analytical mind." He is less impulsive than his older brother and is more content not to interfere with his managers.

The two brothers have taken a close and concerned interest in the HoF group, but Mr Mohamed Fayed's inability to delegate frustrated their intention to retain an experienced chief executive.

David Barchard
Richard Waters

FAYED'S INTENTIONS

At the time of the bid for HoF in March 1985, the group was the largest department store group in the UK, with 120 stores, a staff of 27,000 and turnover of £300m in the year to January 1985. Three years later, HoF had a turnover of £1.13bn in the year to May 1987 and a staff of 24,500.

The report says that

increased borrowings by the

group in the five years to 1987 had a clear impact upon its profitability.

By December 1987, the group had acquired a 10 per cent stake at a cost of £25.7m, in Sears, owner of Selfridges and (at the time) Lewis's.

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A major issue — how far

advisers should accept their clients at face value — is raised by the events...

These included banks such as Royal Bank of Scotland, which maintained accounts for the brothers in London, Morgan Grenfell, which became involved with them through the financing of construction work in Dubai, and Lazard Brothers, which helped them

acquire the Ritz hotel in Paris in 1979 and continued to advise them until 1984.

Others included construction companies Costain and Bernard Sunley, public relations consultants Broad Street Associates, and the House of Fraser board itself. The press played a significant part in advancing their cause. The inspectors said: "It is clear that bankers and advisers were misled. Indeed a determined effort was made to mislead us at the start of our investigation, which might have been successful."

A major issue — how far

advisers should accept their clients at face value — is raised by the events...

It was impractical for officials and ministers to operate on any other basis than that they were not going to be deliberately misled.

It was not the Secretary of State's job to do the City's work for it.

Richard Waters

KLEINWORT IS CRITICISED FOR INADEQUATE VERIFICATION

was justified: "We consider

that dealings between banks of this stature would become very difficult if a banker's word, given at a senior level... cannot be trusted by fellow bankers."

This, said the inspectors, helped the bid to succeed, since Mr Martin Vile, assistant secretary at the DTI, who was responsible for advising the Secretary of State, concluded from it that the law firm's representation was "aligned" with that of the Fayed brothers. "We do not consider that this was an unreasonable view to take, although we understand the reasons why the firm maintains that the nature of its support for its clients was misconstrued."

Also, advice given to the HoF board by S.G. Warburg, among others, helped to satisfy it about the Fayed brothers — although Warburg was not critical over its involvement, having relied to a great extent on what it was told by Kleinwort and Herbert Smith.

This, said the inspectors,

were completely satisfied about the accuracy and completeness of what they had been told by the Fayed brothers since the firm had become involved with them in June 1984.

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ture without foundation." In such a climate, the few questioning voices — from Lourenco, and from a small number of journalists — carried little weight.

Mr Rowland and Lourenco's other directors were their own worst enemies, said the inspectors, since they had bargained and betrayed everybody for so long that their claims were easily discounted.

The regulatory authorities were themselves said to be faced with worrying information, although some of it appeared to be of a dubious nature. In the end they had little choice but to rely on the assertions of the Fayed brothers and their advisers.

It was impractical for officials and ministers to operate on any other basis than that they were not going to be deliberately misled.

The inspectors said: "This construction of acceptance upon assumption, derived without proper inquiry, followed by presumption based upon the presence of other names of repute, built a struc-

ture without foundation," say the inspectors.

They point to a number of lessons from the case:

• There must be a clear demarcation of responsibility between professional advisers, to prevent the sort of situation where each relies on the other to check assurances given by a client.

• It is vital that advisers take proper steps to know their clients.

• Advisers should have proper procedures, covering such issues as the taking on of new clients, the taking of references, and the acceptance of instructions from clients.

• Advisers should be more careful in how they use the media, in particular making sure that they are sure what they are saying is accurate.

• Procedures should be laid down to prevent the sort of "muddle" that occurred over the submissions to the Office of Fair Trading, in particular making the responsibilities of the advisers clearer.

• The Takeover Code contains loopholes, particularly in respect to offers made by non-corporate owners of shelf companies.

If the conduct of the bid does matter, then why has nothing been done? The short answer is that the various regulatory agencies either have no power to act or have decided not to. The Serious Fraud Office last week said it would not prose-

TECHNOLOGY

The two most common ways of checking your bank balance are to stand in a queue in an overheated bank or stand in one in the rain-swept street waiting for a free ATM (automated teller machine).

However, banks and building societies are now beginning to realise that it is in their interests, as well as in their customers', for enquiries to be made over the phone from the comfort of a centrally-heated office or a cosy armchair at home.

For the banks it cuts down the queues in the branches and reduces the paperwork — the number of cheques written, for example. For the customers it provides the convenience of instant information.

As a result telephone banking — where account holders pick up the phone to interrogate their bank's computer system and are answered by a recorded voice — is viewed by many as one of the biggest technological developments in retail banking.

"What ATMs were to retail banking in the 1980s, telephone banking will be in the 1990s," predicts Robert Farborth, Managing Director of Nexus Payment Systems, which runs the Link ATM services for 21 of the participating financial institutions.

But others disagree. With its First Direct service, Midland Bank has opted for a service where customers talk to a human operator instead of a computer. Mike Harris, Chief Executive of First Direct, says the bank took customer opinion into account before launching the services. "Our research showed that about 85 per cent of people preferred to talk to people rather than a computer," he says.

Initial acceptance of computer telephone banking services would seem to bear Harris out. Ivor Fox, head of banking at the Northern Rock Building Society, based in Newcastle, says take-up of his society's service "has been slower than anticipated".

And Geoff Hammond, manager of the technical side of the telephone banking service for National Westminster bank (the only one of the big four banks to go for this type of service) also reports a disappointing take-up.

But both agree that it is simply a matter of time before the services prove popular, with Hammond pointing to the evolution of ATMs as a parallel. "In 1972 we asked our customers to put a bit of plastic in the wall and hope that cash would come out. Now there are 45m

Della Bradshaw explains why improvements in telephone banking should increase convenience

Dial M for Money



or 5m people using ATMs."

Since the launch of the first computer banking service more than two years ago, about 20 of the UK's 630 or so banks and building societies have launched services.

Between them they have around 1m participating customers — although the TSB alone has 250,000.

For strategic reasons it has

been the smaller building societies, rather than the big banks, which have pioneered telephone banking. Eager to woo personal bankers from rural banks, the building societies save telephone banking as a marketing tool. The Halifax, for example, introduced the service along with its Maxine cheque account last year.

A bonus for the smaller building societies is that telephone banking makes their limited geographical presence less of an obstacle. This was one reason behind the decision of the Chelsea Building Society — with just 55 branches and 200 outlets — to begin the service, says Richard Ashford, Marketing Controller. It has opted for a bureau service from Nexus Payment Systems, in

partnership, which provides financial software, argue that it has strict limitations. Although the telephone banking service can, with the exception of giving cash, do everything that an existing ATM can do — give the latest balance, enable cheque books and statements to be ordered — that is all it can do. Introducing new telephone banking services, such as ordering foreign exchange, would be difficult.

For the customer there are three ways of banking from home, the simplest by pushing the buttons on a modern telephone. The customer communicates the account and identification numbers and then by pressing a further series of numbers — one for balance, two to order a cheque book — the enquirer can tell the computer to carry out specific tasks. To pay bills customers have to go into their branch and set up the documentation — in a similar way as setting up a standing order — and then fill in the electronic payment forms by tapping in the digits.

Critics of this approach, such as Nigel Walsh, Marketing Director of the Software Part-

nership, which provides financial software, argue that it has strict limitations. Although the telephone banking service can, with the exception of giving cash, do everything that an existing ATM can do — give the latest balance, enable cheque books and statements to be ordered — that is all it can do. Introducing new telephone banking services, such as ordering foreign exchange, would be difficult.

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For those without modern telephones, banks and building

societies are also supplying tone pads, small electronic units which imitate the beeps made by the phones. These cost between £6 and £10.

Far more adventurous are banks which have opted to use voice recognition units, which listen to the caller and then respond. Although horror stories about these sort of systems abound — that they have problems recognising the word "four", for example, or that the echoes from an uncarpeted floor make the sounds unrecognisable — the technology is improving rapidly. And, as Hammond puts it: "If you use voice and you want to use voice, then you will make yourself understood. You will articulate properly."

Nevertheless, most banks admit that there will always be up to 20 per cent of bank account holders whose voices will be unrecognisable by the systems. And voice recognition units are slower to use than touch tone phones or keypads, and could lead to security problems.

If a call was made from a public place, such as an office, the numbers could be overheard. And, according to Fox at the Northern Rock building society, many calls are made from the office. He reports that the most active time for using the service is between 9.30 and 10.30 on a Monday morning, with customers eager to find out whether they have overspent at the weekend.

Voice response units vary in sophistication and fall into three categories:

- Isolated word systems, which recognise a spoken digit at a time, each word spoken between a "beep".

- Continuous digit systems, where a string of numbers can be uttered, and the whole sequence recognised.

- Voice "print" system, the most adventurous of all, where the individual voice of the speaker is used to authenticate the transaction. The words are compared to a "voice print", which is recorded at the local branch. Only if the two match can the transaction take place.

Whereas the two simple types of voice response units recognise a series of digits and a handful of words, such as "stop", "yes" and "no", customers using voice print systems are asked to record a much wider range of words.

The Royal Bank of Scotland has already carried out a trial in four branches using voice recognition technology from British Telecom and is planning to launch a nationwide service later this year.



WORTH WATCHING

Edited by Della Bradshaw

Piggy that won't go to market

THE technology division of PA Consulting is helping Danish pig farmers to bring home the bacon.

The Cambridge-based consultancy is developing an automated system designed to detect "sick odour" in the meat of male pig carcasses.

This colour, or boar taint, which makes the meat unpalatable, is due to the development of a substance called skatole. This appears in some slaughtered boars which have not been castrated.

The £12m contract is for PA to supply the Danish Meat Research Institute (DMRI) with automated systems so that detected meat can be removed before it arrives at the butcher shop. Eventually 19 systems will be installed in all the big Danish pig export abattoirs, saving Dkr 300m (£22m).

The system, which will be compatible with existing abattoir control systems, begins by measuring the skatole in the pig's spinal fat. The advantage of the Surgical Technology probe is that it vibrates at a much higher frequency — 35 kHz as opposed to the standard 24 kHz — and therefore is more accurate.

As well as reducing the damage to surrounding tissue and preventing blood loss, the probe can be used for new applications. The most obvious is in removing calcified deposits from heart valves, eliminating the need for surgery.

Magnetic disks lose their hold

A MEMORY card large enough to store about 400,000 words could replace today's floppy disks in applications such as the retail sector and industrial control, where memory disks are prone to error because of the grubby surroundings.

According to Mitsubishi Electric, in Tokyo, the memory card is the first on general release to contain 2 Mbytes of information using static Ram (SRam) technology. The S-Ram device has battery back-up on the card, which means that when it is removed from the terminal or PC it remembers the information programmed on it for future use.

The sticking point for many is the need to dig up the roads to lay more cables — one of the biggest expenses

for cable companies. To help the cable TV operators provide phone lines at a reasonable cost, GPT, the UK telecommunications firm, has devised a piece of equipment which will enable them to install chunks of cable which can be used for either television or telephony, as the customer demands.

Air purifier goes underground

EMISSIONS from mining and tunnelling equipment can be particularly dangerous because the fumes are trapped underground. To help eliminate such an unhealthy atmosphere, Engelhard, the US catalytic converter specialist, has developed an exhaust purifier. It converts hydrocarbons and carbon monoxide to water and carbon dioxide and reduces the level of sulphates and sooty fumes associated with diesel engines.

The purifier, developed primarily by Engelhard in the UK, consists of a precious metal catalyst bonded to a ceramic honeycomb. The converter can be fitted on site to equipment already in use.

Stiff suit dives to new depths

OLD adventure movies, in which terrifying aquatic monsters lurked on the sea bed, always involved a hero clad in a rigid diving suit peering through a helmet.

While most recent diving equipment has concentrated on the flexible suit made from synthetic materials, the rigid diving suit now looks set to make a comeback.

The West Germany company Driger, of Lübeck, has developed a rigid suit made of seawater resistant aluminium, with rotary joints of aluminium alloy.

The advantage, says the manufacturer, is that since the water pressure is on the suit and not the diver's body, he or she can sink to depths of 300 metres — compared with only 50 metres with many of today's suits.

The aptly-named Newtsuit could reduce the cost of, say, underwater repair work on an offshore oil rig by enabling single divers to carry out the work rather than using complex diving machines.

BUSINESS LAW

Drexel given a push before it fell

By Leo Herzel and Richard W. Shepro

Did a reckless Drexel Burnham Lambert topple over the precipice or was it pushed by the US Securities and Exchange Commission and the US Department of Justice?

Although it is possible that Drexel's fall was caused by inherent weakness in the junk bond market, this is only speculation. Some of the damage in the junk bond market may have been caused by the long-impending criminal prosecution of Drexel. Certainly the dismissal of Mr Michael Milken, Drexel's indispensable junk bond star, was caused by this criminal prosecution.

In general terms, the legal and financial excesses of Drexel Burnham in the takeover and junk bond markets are well known. Strong-arm tactics used by some of Drexel's representatives in the takeover market made many enemies. Just over a year ago, the firm pleaded guilty to six felony violations of the securities laws and agreed to pay \$50m in fines. The indictments of Mr Milken and some of his colleagues in the junk bond market may have been caused by the long-impending criminal prosecution of Drexel. Certainly the dismissal of Mr Michael Milken, Drexel's indispensable junk bond star, was caused by this criminal prosecution.

Why did the Commission take so long to address Drexel's shortcomings and, when it did act, why was it so ham-fisted? In retrospect, it appears that earlier and subtler forms of regulatory persuasion would have done much less damage to US financial markets.

Probably one part of the answer is ideological. When Drexel and its junk bonds began to dominate the mid-1980s market there was still enormous enthusiasm for takeovers.

The Securities and Exchange Commission, for example, filed briefs in the courts arguing that street sweeps were an illegal defensive tactic. It exerted pressure through disclosure requirements on takeover-defender charters and re-incorporations to states with more favourable and takeover-friendly legal rules. And it instituted rules restricting the use of stock with special voting rights.

It was not unusual at that time to view Drexel more as a hero than as a villain. Its role in the takeover market could be seen (correctly) as an important check on self-serving activities of corporate managers.

However, that simple, cheerful view of the matter was not the whole story. Over the years, the Securities and Exchange Commission must have received plenty of complaints about Drexel's activities from competitors and other victims of its aggressiveness. Specifically, the Commission should have been alerted by the private lawsuit filed against Drexel in 1986 by Seize Continental, alleging that Drexel had used strong-arm tactics to manipulate its stock illegally. (The lawsuit

was settled in 1989.)

The SEC's failure to take these warnings more seriously may have been the result of bureaucracy's natural suspicion of self-serving complainants, or bureaucratic inertia in the face of a very ambiguous problem involving a highly visible and successful investment banking firm.

In any case, as far as the public knows it was only with the lead that emerged from the Wall Street insider trading cases that a serious investigation of Drexel Burnham began. As the investigation progressed, it turned into a crusade to win a blockbuster case. By then there was little chance that the SEC could use subtler methods to try to reform Drexel Burnham and possibly the junk bond market.

The collapse of Drexel Burnham also raises another important policy question: why did ordinary market forces fail to control the problems? The bad deals done with junk bonds clearly were not the exclusive fault of Drexel. Many other important institutions participated.

Some investment bankers, economists, politicians and lawyers did publicly voice their concerns about junk bonds and too much leverage. But when faced with a particular deal most financial professionals took a narrow short-term view saying, in effect, "let's make our money now and let someone else worry about the cosmic problems."

Moreover, industry fee practices, which emphasise large amounts of compensation at early stages in transactions, aggravated the problem. It was more important to get deals done than to ensure that they would be economically successful. Furthermore, the breakdown of traditional investment banker-client relationships tended to increase the emphasis on a short-term approach to clients and compensation.

Industry self-regulation was not a practical alternative either. In the US, co-operative self-regulation is legally highly risky unless it has a solid statutory basis. Anyone who is damaged can sue on anti-trust grounds (treble damages) or for interference with an antitrust agreement.

On the other hand, industry self-regulation is far from a perfect solution. It can easily turn into a self-serving monopolistic clique.

In short, the highly competitive US financial markets created a tremendous incentive to ride freely on the short-lived success of junk bonds.

Private litigation is a key element in the US system of securities regulation but in this instance it did not work either. Target companies had tremendous incentives and large resources to discover abuses in the takeover market but they failed.

This should not be surprising, since it is very difficult to get information about the inner workings of the financial markets. Market professionals are not eager to explain even when they feel they have been wronged. Without the threat of criminal sanctions and the other great resources of government, private litigators found impossible to obtain hard evidence of abuses.

Although there have been many misuses of junk bonds, they serve a valid purpose. They will not disappear although their name may change. Drexel's collapse probably will be remembered as an aberration and a very personal warning that leads to negligence.

For a while at least, financing for acquisitions that do not have a specific business purpose will be much more difficult to arrange. This will make it easier to complete mergers that are aimed at a specific business goal. But it will also revive a challenging old problem.

More generally, the Drexel Burnham collapse calls into question the possibility of successfully regulating free financial markets by either market self-correction or the use of flexible government agencies like the Securities and Exchange Commission.

Individual participants in the market find it uneconomic to act in the interest of either the financial markets or society as a whole and impossible to co-operate with others in order to do so. Regulatory commissions on the other hand have a tendency to react too late to new difficult problems and then too violently.

The authors are partners in the Chicago law firm of Mayer, Brown & Platt.

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</div

Air purifier underground
EMISSIONS from oil-burning equipment, particularly engines, because the fumes are trapped underground, have been reduced by 90% by a US catalytic converter system, has developed an exhaust particulate and hydrocarbons converter to reduce levels of sulphur dioxide and other gases associated with the burning of sulphur-rich engines.

The purifier, developed by Englewood, Colorado, consists of a ceramic catalyst bed which can remove 90% of the soot particles.

Stiff suit dive to new depth

Old adventure and new territory now share荣榮 on the deep sea, involved a bit of a tight diving suit through a hatch.

At its most recent development has come on the flexible and synthetic materials, a safety suit now looks more like a corset.

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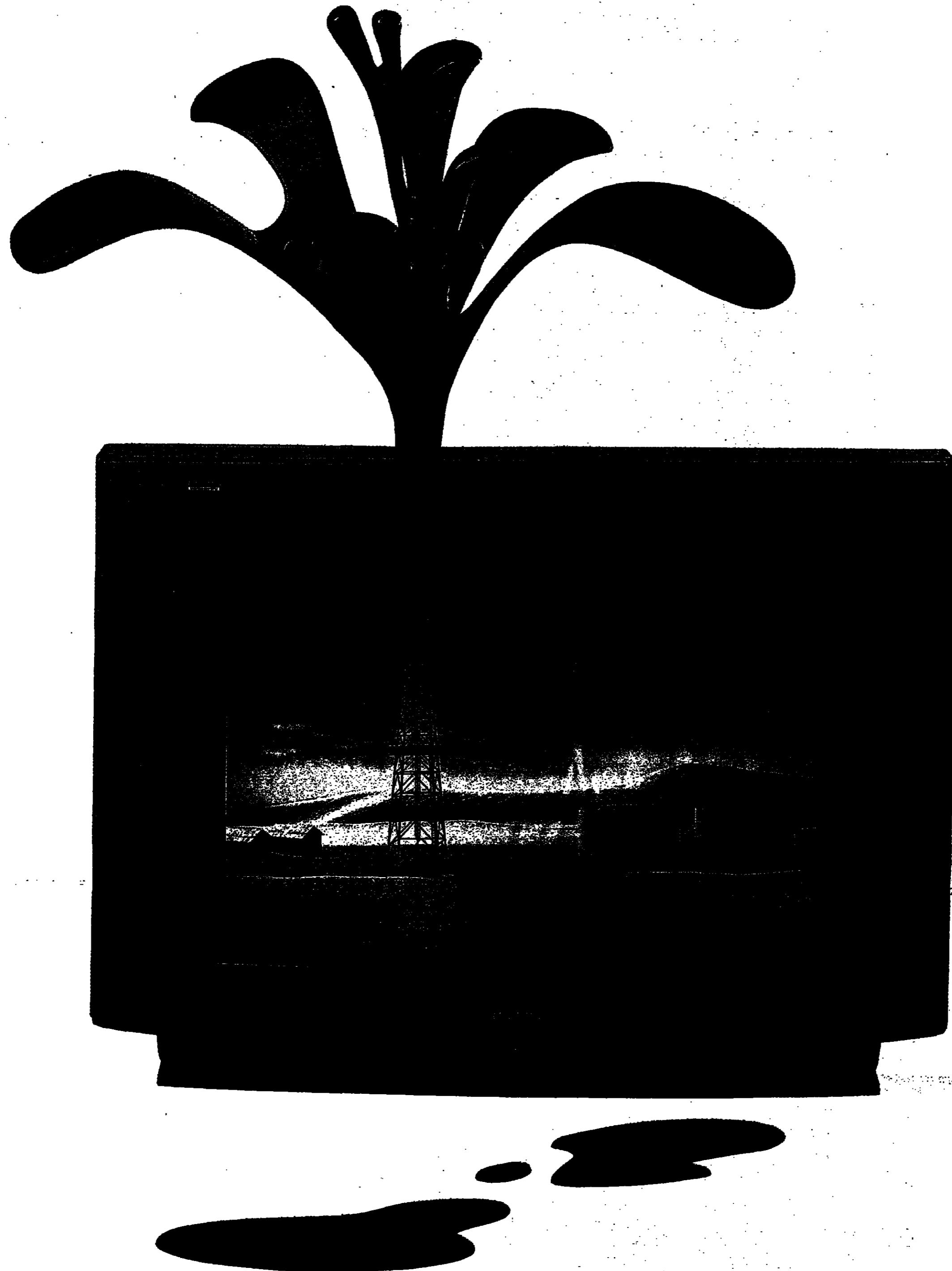
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MANAGEMENT: Marketing and Advertising

UK fashion retailing

Chelsea Girl deserts to River Island

Maggie Urry explains a strategy which allows no sentimental attachment to a name

When some companies are avidly adding the value of their brand to their balance sheets, it is, perhaps, surprising to see one being tossed away. Yet that is what Chelsea Girl, the chain of fashion stores for young women, appears to be doing. The name will not die entirely, though, as it will later be licensed.

Chelsea Girl and Concept Man, its masculine equivalent, both owned by Lewis Shops, a private group, are being transformed under a new name, River Island. The Chelsea Girl name was thought up in the mid-1960s, and replaced the shop's original name, Lewis Separates. It is reminiscent of the "Swinging London" and "Kings Road" era of fashion.

Now, says Leonard Lewis, managing director of the chain and the son of the founder of the retail business, the customers are the children of Chelsea Girl's original customers. "We never thought the Chelsea Girl brand would last 25 years," he admits. It is one of the leading names in the young fashion sector of the market and Verdict Research, the retail consultancy, estimates that the

group has 1.3 per cent of the UK clothing market.

Many retailers are loathe to change their brands, and have successfully repositioned them. Dorothy Perkins, for instance, which is owned by the Burton group, dates back to 1916, when it was named after the rose.

Lewis has no qualms about dropping the Chelsea Girl and Concept Man names. "To us there is nothing magical about the name above the door," says Lewis, adding that it is simply part of the product you before customers. Far more important, he says, are the management and financial systems, the people in the business and the merchandise.

Over the next few months the remaining 170 Chelsea Girl and Concept Man shops will be converted to River Island, and with new openings that take the chain to 280, shops selling both men's and women's clothes.

The change is taking place against a background of difficult trading conditions for clothing retailers. A recent report by Verdict concluded that: "Clothing retailers are experiencing intense pressure on sales densities and overcapacity will continue to be a serious problem in the forces to come."

Lewis says two commissioned designs were turned down as being too much like the "hard-edged" 1980s style, and instead the directors decided to design something they felt was in keeping with the 1960s.

Further, the merchandise

was planned to be "more fun

and less serious than the power dressing of the late 1980s." Casual clothes are now where the excitement is, Lewis says.

People are reader to trust their judgment in choosing clothes rather than accepting whatever the fashion magazines are telling them to wear. The range on offer is carefully edited and the shops are not overfilled with stock.

Shoppers in a River Island store might feel they have wandered into someone's living room — where are vases of flowers, rug on the wooden floor, and battered sporting trophies, tennis rackets and trunks around the shop. The idea is to create a cross between a Long Island beach house and an English country house.

The first shop was opened in Exeter 18 months ago, and the experiment was soon extended to three more shops. While Lewis soon found that the new model could work in the odd store, the trick was to turn it into a national chain.

More shops were opened to the current 75 shops. The design has been refined until Lewis reckons it can travel across the country.

After working on the format for 18 months, the conversion of 170 stores can be rolled out rapidly, and all will be done by September, taking only a week or two for each shop. Teams of shop-fitters have been trained to move in and work as if on a production line.

Being a private company, says Lewis, allows the group to take a longer-term view of such development. It would be more difficult for a public company to make such a radical change — something that A. Goldberg, the loss-making Scottish-based retailer which was stampeded to reposition its business while under takeover threat, could perhaps confirm.

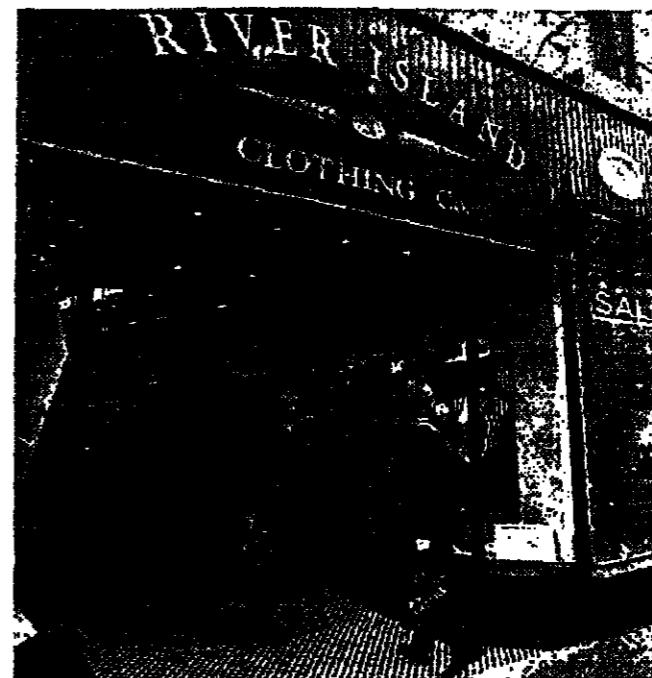
Lewis says that the most crucial period of the business is managing the supply chain.

Most of the merchandise is designed in-house, with fabric bought in and manufacturing subcontracted, whether in the UK or abroad.

Clothes can be run up in a few weeks if the group has the fabric and a UK manufacturer.

The aim is to minimise the stock in the shops, and to replenish it rapidly; thus reducing the risk of being left with stock that does not sell.

Although buying in bulk



Costly ride for theme parks

By David Churchill

BRITAIN'S theme park operators will have to spend an increasing amount of money and effort on marketing their leisure facilities in the 1990s in order to keep up with changing demographics in the UK and the competition posed by the EuroDisney development in France.

Tourism Research and Marketing, a market forecast company, suggests in a new study of theme parks that in spite of the difficulties faced by some UK operators in the past decade they have had the opportunity of developing in a relatively immature market. Admissions have risen by two-thirds over the past five years — to reach nearly 10m visitors a year — as a result of the general growth in popularity of day-trip and short break holidays in the 1980s.

But as the theme park market matures along with the rest of the day-trip market, increasing product and promotional sophistication will be required," says William Richards, author of the study.

The key influence in the 1990s will be fewer 16-to-24 year olds, especially in the crucial C and D socio-economic (clerical and manual) target groups at which most British theme parks are aimed. There will be more children under 15 — thus creating "a large market for families with young children," says Richards.

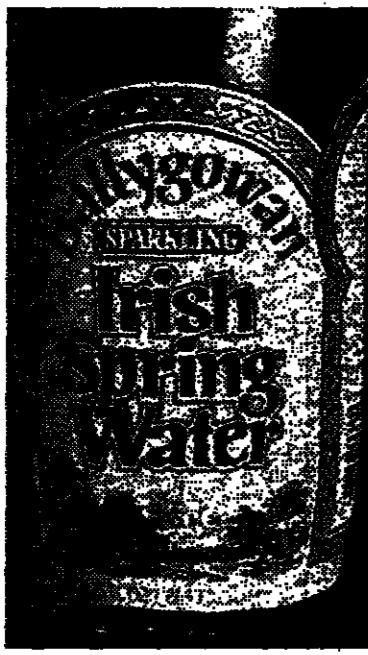
The study suggests that the already relatively high level of advertising expenditure to sustain visitor levels — estimated at about 40p per visitor, excluding below-the-line marketing promotions — will need to rise steadily if operators are to develop customer loyalty and increase repeat visits.

Operators will also have to continue investing in new attractions. Chessington World of Adventure's new Transylvania themed area, for example, opens this year at a cost of £5m.

"Inevitably, increased product and marketing spend will lead to higher admission charges," points out Richards. Although this may deter some visitors in the short-term, he suggests that previous experience has shown that developed psychological barriers" of higher prices do not last long.

UK Theme Parks Tourism Research & Marketing, 324 Kensington Lane, London SE11 5ZT. 283

Kieran Cooke



Ballygowan's high heaps for dampening Perrier

On the Irish Republic is not short of water. The country also has an image that is, in these days of growing environmental consciousness, relatively clean and green.

These two factors have convinced Ballygowan, Ireland's leading spring water company, that it has both the necessary liquid supplies and the correct marketing strategy for an assault on the world's growing mineral water market.

"We are not gloating over Perrier's problems," says Geoff Reid, Ballygowan's founder and chief executive. "But obviously we are now hoping to increase sales significantly, particularly in the UK market."

Ballygowan has already taken on Perrier in Ireland. It claims it now has nearly 50 per cent of the home market. While this figure is disputed by Perrier and smaller Irish bottled water companies, there is no doubt the Ballygowan success story. Ballygowan has in the business.

sales of both still and carbonated

were 200,000 litres in the first year of production in 1984.

Following Perrier's footsteps, it recently introduced waters flavoured with lime, lemon and orange; these account for 5 per cent of its total sales, which last year were 12m litres.

While such sales are small compared with Perrier and other leading international brands, Ballygowan expects sales to grow to 500,000 litres, with a launch of a new carbonated water at the UK market.

The company has recently signed an agreement with Grand Metropolitan for distribution through 15,000 GMS outlets in the UK.

We have carried out a two-year market research campaign in the UK and now feel we can challenge the dominance of Perrier, which up till now has had 90 per cent of mineral water sales," says Reid.

Ballygowan is produced at Newcastle West in County Limerick in south-west Ireland. Bottled drinks had been produced there since 1976.

Reid formed a joint venture with Richard Nash, who owned the local bottling facility, in 1983.

In 1988 Anheuser-Busch, the US brewing giant, purchased a 50.1 stake in Ballygowan. But the new partnership did not work. Anheuser-Busch was having considerable difficulties in its beverage division and Ballygowan felt marketing of its products was being affected badly.

late last year Reid, 35, let a buyout offer. He and Nash now each now have a 30 per cent stake in Ballygowan, with the balance held by Mercury Asset Management, the investment subsidiary of merchant bankers S G Warburg.

Like many privately held Irish companies, Ballygowan is very reticent about disclosing any financial figures. Reid will only say that the company is trading profitably and has no debts. He prefers to talk about the advantages he feels Ballygowan has in the business.

Ireland missed the industrial revolution. Because of that we have a head start on the other European countries in the clean environment stakes," he says. "When it comes to bottled water ideas are changing. People are more concerned with quality than fashion now. We pride ourselves on the purity and quality of our water."

Reid claims that the Newcastle West plant is the most modern in Europe. Most of its operations are fully automated and in total Ballygowan employs under 50 people, including secretarial staff.

Anheuser-Busch supervised much of the design and building of the Ballygowan plant and did extensive testing on the water supply. "The rainfall in Newcastle West comes in straight from the Atlantic. There is acid rain here," says Paul Tracy, Ballygowan's operations manager.

"Most of the land round here is either parkland or lying fallow. There is very little agricultural pollution, unlike elsewhere in Europe."



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to B

GUIDE

ARTS

Joe Turner's Come and Gone

TRICYCLE THEATRE

Joe Turner is not the iceman; he is not Godot. He is the brother of the Governor of Tennessee, notorious for seizing black men into chain gang. The year is 1911. Already he has assumed mythic status, the subject of sad songs of lament in the black community.

In this play by August Wilson, author of the National Theatre's *Ma Rainey's Black Bottom*, he looms symbolically over blighted hopes and stunted lives, the epitome of authority, arbitrary and unassimilable, an harshly unloving god; and, more specifically, the white man who wants to deprive the black man of his identity.

"What have I got that he wants?" cries the ex-chain gang convict. "He just wants you to do his work for him," is one weary reply. But according to the mystic Bynum, a dash of voodoo, a touch of the seen) he wants the song inside each individual. "You've still got it. You just forgot how to sing it."

The winner of the 1988 New York Drama Critics' Circle Award is in fact three plays. The Pittsburgh boarding-house setting provides a picture of a bustling culture already suffering the tensions that come with sophisticated social cross-currents — the assimilated northern blacks uneasy before the southern immigrants. There is the story of sad individuals in search of emotional fulfillment. And finally there is the ostensible plot, the story of an ex-convict looking for his wife after seven years in prison and rediscovering his dignity in the process. The story disappointingly collapses off in a long and clichéd loop ends prosaically tilted up and eruptions of melodrama.

Throughout, the figure of Bynum moves as an other-worldly visionary, his roots deep in an older culture, with an almost magic gift for manipulating people.

The strength of Claude Purdy's production lies in its splendid performances. Louisiana-born, Minnesota-based, with experience in Paris, Senegal and Nigeria, Purdy has enjoyed a long association with Wilson's work and obviously known how to inspire a company.

Designer Adriane Lobel's distinguished work ranges from *My One and Only* on Broadway to the forthcoming Glyndebourne *Zauberfrau* with Peter Sellars. Yet the combination dare one say? fails to disguise a good old-fashioned emotionally calculated commercial play.

The different ingredients show when they should blend into something more cohesive.

None of which detracts from the "acting." Tony Armstrong trading a questioning stare for a beat when permitted not to look disengaged or wild (as he must at practically every entrance).

Marcelli's softly incantatory Bynum cannot quite avoid the impression of Jim Berrie in the riotous fields. And as the master of the household Al Matthews goes for easy, too easy, comedy.

But the minor roles are excellent: David Cawthron's kindly lascivious, Gérard Teillet's ebullient young worker, Yvonne French's muted pain and longing as a deserted in search of her man, and Caroline Lee Johnson breathing life into a character that veers between stereotyped siren and embryonic feminist.

Martin Hoyle

Too Late to Talk to Billy

ARTS THEATRE, BELFAST

Graham Reid's *Billy Plays* brought Belfast to the television screen in the 1980s not in its customary cladding of sectarian violence but as a dynamic soap opera centred around the Martins of Coollderry Street, a family whose wars are domestic and whose weapons are the whiskey bottle and well-targeted boot.

Here they are again to embrace the new decade, unreformed in character and, in James Ellis's atrociously self-indulgent production for Theatre Ulster, apparently oblivious to the fact that they have changed much.

Too Late to Talk to Billy is an amalgam of the four *Billy Plays* into a meandering three hours of theatre which distinguishes itself only by its complete imperviousness to theatrical technique. The scenes keep up a relentless episodic struggle, their only cohesion coming from Rowel Friers' clever, sprawling set, which uses the breadth of this civic stage to create a series of locations and the dark, dangerous alleys between them.

So we have the Coollderry

Street parlour, where sister Lorna (Tracey Lynch) plays little mother; the bedsit where Billy (Peter Ferris) seeks refuge with his nurse girlfriend; the hospital where his mother dies and the home of Uncle Andy, a hawking, spitting bronchitic played, as on television, by Mark Mulholland.

What we do not have, except in a brief and incomprehensible opening dumb show not unlike the title sequence for a TV cop show, is a sustained sense of the Belfast that enfolds the family and informs their violence. On screen, the camera takes care of that.

The depressing thing is that, after sitting in the half-empty Lyric to watch one of the world's great theatrical masterpieces, *Les Misérables*, the Arts Theatre was packed with people who laughed at the cutsey pop ping of Billy's two little sisters, who thrived as fist cracked palm in laughably unconvincing fight scenes, and who quivered as the lights dimmed and the violins struck up for the suicide of poor old Andy. Such is the power of what of a film whose over-made-up political mind results in a never-made-up aesthetic mind.

Claire Armitstead

ARTS GUIDE

EXHIBITIONS

London

The Tate Gallery. The entire permanent collection has been returned so that the visitor may now take a natural circuit through the newly restored galleries. A 19th-century British painting through to the most recent of modern international art. It is a curatorial triumph. The Tate Gallery, Joseph Wright of Derby's full study of the work of the English artist most distinctive of the 18th century, yet one like his close contemporary George Stubbs, often dismissed as a mere provincial. Dated until April 22, except Bank Holidays sponsored by the British Council. £10. Tel: 0181 834 4321. — A brief and effective concentration of what has always been a most vigorous and distinctive national school, yet one which has for too long been not so much under-rated as entirely unknown in the Kingdom. These are still gaps and over-rapid transitions, but the show nevertheless makes its point very well. Dated until April 16. The Royal Academy: Frans Hals — the great retrospective, also shown in Washington and due to go to Haarlem, of the work of one of the greatest painters of the 17th century Dutch school. Master of the portrait, he was also outstanding for 200 years after his death in 1666, and he remains an enigmatic and controversial figure. Until April 16.

Paris

Grand Palais, Soliman Le Magnifique. A treasure trove of goldsmiths' work, miniatures, ceramics and textiles recalls the Soliman whose Ottoman Empire stretched in the 16th century from the Caucasus to the gates of Vienna and from Algeria to the Persian Gulf. Closed Mon, Wed into closing, ends May 24 (02 3220 00).

British Museum, Egyptian Krypt. An exhibition of 25 chef-d'œuvre, including the most recent finds, starts with statues and bas-reliefs dating from the middle-empire continues with a golden crown of a High priest of Osiris and Coptic knot-work. It concludes with Islamic exhibits. 1, rue des Fossés-Saint-Bernard (closed Mon). Ends March 15 (01 4618 3888).

Musée d'Orsay. The Fragmented Body. The body, both male or female, the incomplete body form the leading strand of an exhibition beginning with ex-votos and reliquaries and culminating in a celebration of Degas, Bourdelle, Moore and especially Rodin, with his most brilliant transition from realistic to abstract sculpture. Ends June 3. Closed Mon, entrance Quai Anatole France (01 43 61 61 61).

Antwerp Koninklijk Museum voor Schone Kunsten, Belgian Painters of County Limburg. Closed Monday, ends April 22.

Provincial Museum Voor Nederlandse Werken of the British. Centre Georges Pompidou. Pavel Molchanov. A solitary figure of the Russian avant-garde, he refutes cubism and futurism as contrary to nature's — and art's — organic development. "Every atom" of the surface of the 60 paintings and 150 drawings is given intense movement and peaks in the light.

Antwerp

Palazzo Grassi. Andy Warhol Retrospective. 250 works from the major exhibition organised by Kynaston McShine for the MoMA in New York last spring.

Venice

Palazzo Grassi. Andy Warhol Retrospective. 250 works from the major exhibition organised by Kynaston McShine for the MoMA in New York last spring.

to which have been added about a dozen from private Italian collections. Until May 27.

Milan

Castello Sforzesco. Henry Moore retrospective. 49 sculptures covering the years 1926-1982. Ends March 25.

Madrid

Castillo de Arce Reina Sofia. Antonio Saura. Works by the Spanish artist painted between 1968 and 1985. Ends March 19. Fundación Juan March, Iba. Wooden collection of works by Antoni Tàpies. A very comprehensive collection of his wood reliefs. 100 works in various media. Shows the different aspects of the French symbolist painter's work. Ends April 1.

Museo Reina Sofia. The Enigma of the Easter Island. It is partially deciphered in this exhibition of photographs and artifacts. Closed Monday. Ends April 22.

Barcelona

Palau de la Música Catalana. Georges Braque. The exhibition brings together sixty 17th century works belonging to Spain and Italy. Velázquez, Zurbarán, Ribera, El Greco, Carracci, Codazzi, Testa, Caravaggio, but some of the great artists whose works can be admired. Ends March 30.

Málaga

Palacio de la Música. Marc Chagall (1887-1985), who died in 1985 is one of the most popular artists of the 20th century. Around 100 prints comprise a special

of this work, not shown in public before as to be only seen in Málaga until April 23. The graphics, water-colours, pastels and paintings present themes of the old testament.

Vienna

Kunsthistorisches. Works by the Romantics, ranging from Caspar David Friedrich to Adolph Menzel.

Museum für Volkskunde has a marvellously exotic exhibition called *Seneca in the Woods*. It is the 200th anniversary of the death of Seneca. June 10.

New York

New York Public Library. More than 125 documents of the Abolition Movement, including photographs, letters and rare books, offer a sharp and direct view of the long fight to free the slaves. Ends Sept 15.

Centre International Contemporain Arts. Large-scale works in pastel and charcoal by the 10-year-old British artist David Challen. It is the first time a series of four shows of young British artists staged for the new, well-received arts institution. Ends April 21.

Museum of Modern Art. In its 50th anniversary year, the museum gives its version of the history of photography, showing off earlier image-developing techniques along with 275 photographs. Ends May 20.

Washington

National Gallery. Highlighting this decade's renewed interest in printmaking in America. Around 100 prints comprise a special

exhibit borrowed from the collection of Joshua P. Smith, among them works from major contemporary artists including Jasper Johns, Richard Diebenkorn and Andy Warhol. Ends April 2.

Chicago

Chicago Historical Society. The Land of Lincoln does its most famous citizen proud in the exhibition *A House Divided*. America in the Age of Lincoln, with documents, manuscripts and personal effects of the Great Emancipator.

Art Institute, Vienna. The 200th anniversary of the birth of the Nagaï tribe's views of the origin of the universe in the 12th century to the artworks of contemporary artists. "Glow of Life". Ends April 1.

Tokyo

Suntory Museum. Mission to Rome. In the early 17th century a feudal lord from northern Japan despatched a mission to the Pope asking Christian missionaries to come to Japan. This exhibition highlights documents on the nature of the delegation and the subsequent ban on Christianity that was to last over 200 years. Closed Tuesday, ends March 11.

Asian Art Museum. German Romanticism. Loan exhibition from Dresden — stronger on mid-19th century academic painters than on visionaries such as Friedrich and Böcklin. This museum is a former palace and has a superb garden for strolling in. Closed Wednesday.

Nigel Andrews

March 2-8

Bach cantatas

QUEEN ELIZABETH HALL

When Stravinsky was asked whether there was any music which should, or could, count for us now as instrumental repertoire, he said: "I think of the sort of thing which might regularly begin a concert (not Beethoven or Wagner overtures) — he said: yes, Bach's cantatas. And surely that's right: Haydn is too specifically Rococo, Mozart and Beethoven, too commanding personally, everybody after them for period-Romantic (or period post-Romantic). Bach's cantatas even more than his purely instrumental pieces, really do define the broad terms of subsequent Western music — poetically directed harmony, and calculated formal variety which makes room for ingenuity, self-conscious structures, but also for impulsive lyrical expression and the charms of instrumental colour.

In practice, the economics of modern concerts forbid introducing Bach cantatas except when the chorus is needed for something more expansive later. Most of the performing groups who keep the cantatas alive on the South Bank draw pretty specialised audiences, rarely of the size John Eliot Gardiner attracted to *Handel and Haydn* through Choral and Chamber Ensemble. Soloists who are Bach's cantatas are: Julian Lloyd Webber, two of the most-loved cantatas, and between them the most important, *Wachet auf, Ruft uns der Engel* (from *Matthäus-Passion*). Then comes *A Musical Offering*, a delightful programme, but we find Bach were overused.

The *Te Deum*, on "perfection instruments, can be repeated twice, it is bounded by best and worst, and it is a masterpiece which is not to be beaten in Bach's music, so it is not possible to soft-pedal it, nor to have performed for a contracted audience, but the music seems to have no character, an impression which may

David Murray

La vida breve

WIGMORE HALL SCHOOL

Falla's only opera (*Giulio*, full of wonderfully colourful music, misshapen and static as lyric theatre) is a high choice of opera for the latest Giulini enterprise. The difficulties of bringing it to life must be divided for students — playing Latin in the grip of elemental passion never comes easily to young opera-singers (see *Giulio*, *Giulietta*, *Giulio*, *Giulietta*),

and the *Giulietta* in *La vida breve* is a particularly difficult drama and its scene shifts of Spanish folk-dance have been confronted.

The success of this production, by Stephen Madoff (sung in Geoffrey Dunn's translation), is therefore particularly heartening. The opera is presented in hot, strong colours, and in a series of stark tableaux worked by the size and scale of screens. Groupings are stylised, side-by-side, angled to squeeze out the maximum play of contrasts — and gauged to the abilities of the students (impressive young dance-dramas included) with casting and skill.

The production falls down a little, as does the music, in those patches where the "Spanish" falls give way to a hodge-podge of various elements from *Giulietta* and *Giulietta* recitation, or to over-explained aspherical mood-pieces replete with offstage voice-calls to Bellini. The students are mostly too close and稚气 to carry such intricate scoring effectively. But the overall quality of

Max Loppert

SALEROOM

Owl jug flies home

against a rise in inflation. Most of the buying was British, and from dealers.

Top price was the £165,000 (top estimate £200,000) paid for a set of George III silver gilt canisters made in 1791 by John Scofield. An identical set is on loan to the V & A and Christie's suggests a royal provenance. Sotheby paid £158,500, also double estimate, for a pair of George III silver gilt two-handled wine coolers and stands by Benjamin Smith, 1807, with the Gordon-Lennox arms.

A pair of Charles II silver gilt vases and covers, which had belonged to Joseph Addison, founder of *The Spectator*, was bought by Schroder for £152,000 (top estimate £200,000). They were produced around 1670 by Thomas Jenkins. A gold cup and cover, presented in 1680 by English officers to the British Envoy in Goa, who had obviously served them well, went to Armitage for £164,500.

An Ottoman prayer rug of around 1600, 5 ft 2 ins by 3 ft 11 ins, sold at Sotheby's for £125,000, triple its estimate. Among second division modern British pieces, "Love tide Concerto" by William Leech did best, making £22,400 to Pyn against a £15,000 top estimate. Antony Thornecroft



Paul Newman as General Groves conferring with Dwight Schultz (Oppenheimer) in "Shadow Makers"

CINEMA

Fast and loose with the truth

"Ideas are community property!" declares team bomb inventor J. Robert Oppenheimer (Dwight Schultz) to his secretary-obsessed project boss General Groves (Paul Newman).

Indeed so. *Shadow Makers*, made in America by the British writer-director team of *The Killing Fields* Bruce Robinson and Roland Joffé, not only argues that ideas are common property, it proves that history is fast becoming Hollywood property. We are still picking exploded half-facts out of our clothing after *Born Free* or *The Fourth of July*. Now here is another movie playing fast and loose with 20th century truth.

Answer: *The War of The Roses*, whose makers must have been sorely tempted to title the film "Starving the Romance". Plates fly, fists smash and unspeakable things are done to the fish course in a luxuriously appointed mansion in East Coast yuppiland.

Yes we are watching a marriage disintegrate. Mr Douglas, introduced as a hippy lad swept Miss Turner off her feet and into bed in rosy-skied Nanantucket, seems at first to be love's young dream. ("Never apologise for being multi-orgasmic") he considerately tells

Fact battles with fiction, simplification with complexity, polemic with fable. The film behaves like a man using sign language to give a fake oblique to what everyone knows is really a party political broadcast.

Question: What film stars Michael Douglas, Kathleen Turner and Danny DeVito, and yet is not a sequel to *Romancing The Stone*?

Answer: *The War Of The Roses*, whose makers must have been sorely tempted to title the film "Starving the Romance". Plates fly, fists smash and unspeakable things are done to the fish course in a luxuriously appointed mansion in East Coast yuppiland.

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Thursday March 8 1990

Think again, Mr Ridley

PUTTING A GLOSS on statements made in the heat of a takeover battle is one thing; wholesale deception quite another. What emerges with the utmost clarity from the long delayed Department of Trade inspectors' report on the takeover of House of Fraser in 1985 is that the Egyptian-born Fayed brothers who now own Harrods lied persistently about their wealth and background.

Given that the Government itself was thoroughly duped in the course of the bid, the decision by Trade Secretary Mr Nicholas Ridley to rule out any action against the perpetrators of this deception is astonishingly complacent. For the real issue here is not the ownership of a stores group but public confidence in the business and financial system. The reluctance of Mr Ridley's predecessors to acknowledge the case for an investigation until just before the last election was odd enough. But the notion that the Government is content to permit a company which employs thousands to change hands in a £265m transaction on the basis of wholly false information seems scarcely credible.

The dishonest representations in this case were not casual or throwaway remarks. They appeared in formal bid documents and submissions to the Office of Fair Trading (OFT). They were given immeasurable credibility by the readiness of a leading merchant bank, Kleinwort Benson, and City solicitors Herbert Smith, to act for the Fayed brothers. Both the then Trade Secretary Mr Norman Tebbit and the OFT placed great reliance on the advisers' apparent backing for the Fayedys. Yet the inspectors concluded that the advisers made inadequate inquiries into Mohamed Fayed's colourful background.

Trust system

Kleinwort's justification was that the City operated on the basis of trust. That may have been true up to a point, but the Fayedys had risen without trace. Even in 1985 the claim by a Kleinwort director that these hitherto obscure entrepreneurs were multi-billionaires looked strange. As an operating principle in today's

The path to Gemu

If one adds West to East Germany, will one have an economic superpower in the heart of Europe or a wealthy country kept back by the need to support an invalid sibling? The answer depends on how unification is achieved.

It is now widely accepted that a rapid economic takeover of East by West Germany is inescapable. With a continuing outpouring of its most energetic people, East Germany has been bleeding to death. In January alone, 63,000 people left East Germany (a rate of 750,000 a year). Meanwhile, West Germany is experiencing a growing political backlash against the newcomers.

As a way of dealing with this problem, the conversion of East German savings into DMarks is less essential than sometimes suggested. If anything, the higher the D-Mark value placed upon their savings, the easier it will be for East Germans to depart. Moreover, there are dangers involved, such as inflation in West Germany and widespread bankruptcy in East Germany, especially if a high rate of exchange for the East German Mark is chosen.

Fortunately, these risks tend to be exaggerated. Even if East German cash and savings balances were converted one-for-one, they would be incorporated in the D-Mark dominated broad money supply of around 15 per cent. This would not imply a corresponding increase in demand for West German production and a part of the conversion could easily be into illiquid instruments.

Converted

Equally, a part (or even all) of the debts of the Kombinate to the East German banking system might be converted into equity and sold to both East and West Germans (with the former using some of their newly acquired D-Marks for the purpose). In addition, the public debt of East Germany, plus some portion of the enterprise debt, would presumably be added to the public debt of West Germany (or rather unified Germany). The higher the value put on the East German Mark, the larger the cost to the West German taxpayer of this transfer.

The fundamental issue is not monetary conversion, however,

global markets, such an attitude is untenable.

For its part Herbert Smith declared at the time that it believed its client to be trustworthy and reliable. The inspectors quote a senior partner providing an assurance during the bid that "Herbert Smith does not take on cases that do not hold water". Yet the firm subsequently defended itself by pointing out that it expressly declined to give any assurance, *imprimatur* or endorsement to the factual matters contained in the submission made to the OFT. The OFT was left with a quite different impression. And it surely deserved better than this: the City's reputation rests on higher standards than the advisers in this case have been prepared to acknowledge.

Wide deception

No regulatory system can be proof against outright attempts to flout the rules. But when deception is uncovered in the scale apparent in the House of Fraser case, action is called for. The problem is that one sure of the Takeover Panel will soon cause the Fayedys to leave. The Director of Public Prosecution and Serious Fraud Office have concluded that there is no hope of a successful prosecution. And Mr Ridley appears as unbothered about the deception here as he is about instead dealing elsewhere.

Use of the Government's powers to disqualify the Fayedys from holding directorships may not be a very effective sanction while they continue to own House of Fraser. But it would at least demonstrate that the Government does not condone their behaviour. The case for excluding Kleinwort Benson and Herbert Smith from involvement in future privatisations also merits consideration.

But to say, as Mr Ridley has done, that it is up to people who read the report to reach their own conclusions is to invite an obvious rejoinder. They may well decide that the government sees no public interest in the honest conduct of business affairs in Britain and express their aversion for this carelessness attitude at the ballot box.

THE TRUST SYSTEM

Kleinwort's justification was that the City operated on the basis of trust. That may have been true up to a point, but the Fayedys had risen without trace. Even in 1985 the claim by a Kleinwort director that these hitherto obscure entrepreneurs were multi-billionaires looked strange. As an operating principle in today's

but how the real economy is to operate. Monetary reform must go with the liberalisation of the East German economy. This form of words conceals an agonising process: people that have no experience of the market economy will be forced to change all their spots.

Limited effect

From this long term point of view, it is the real not the nominal conversion rate that matters. The effect of any nominal rate of exchange will also be strictly limited, since the real wage in East Germany cannot be very different from what it is in West Germany, at least for those people who have a good chance of finding jobs in the West.

Most important, East Germany must not be loaded with West German costs, especially those of the West German welfare system. Following monetary conversion, the special incentives that attract East Germans to the West should be withdrawn. In addition, unemployment and other benefits in East Germany must be set in relation to East German incomes. Thereupon, market forces will generate a desirable increase in wage differentials in the two Germanies.

This alone will create a powerful incentive to locate production that is relatively intensive in the use of unskilled labour within East Germany. While market forces must be allowed to drive East German development in this way, the public sector will also have to make large investments in East German infrastructure (quite apart from paying for monetary conversion).

German economic and monetary union should be an economic blessing for both Germany and Europe. But two points must be remembered: first, what matters most is not monetary unification but the terms of economic union; secondly, success will only follow from reliance on the market forces that created the post-war West German "miracle". Development over many years is needed to bring East Germany up to the West German income level; a legislative attempt to raise East German social protection to West German levels would ensure that this never happens.

Brazil's federal police recently arrested the drivers of several trucks loaded with ore at Gurjia Mirim on the border with Bolivia. The ore did not contain gold, but tin.

Large-scale smuggling has come back to the tin industry. Jose Almo Machado, organiser of Brazil's wildcat miners, the *garimpeiros*, claims that 500 tonnes a month of tin ore masquerading as wolframite or manganite are being smuggled out of Brazil's ports.

As a consequence of the Brazilian smuggling, the world price of tin has crashed again to a level at which many mines are selling below their cost of production. Once again cries of anguish from producers can be heard across the world.

In Malaysia some of the tin dredges have been shut down. In Cornwall, all 122 mines at the Geevor tin mine have been laid off while Caron Consolidated, which owns the other two remaining Cornish tin mines, has cut its workforce by 50 and reduced both output and capital expenditure.

The huge flow of smuggled tin from Brazil is making a mockery of the major producers' attempts to bring supply and demand back into balance by restricting exports.

But the miners who have the rock 3,000 feet down Carron's Wheal Jane mine in temperatures above 38 degrees C (100 F), sink deep in slurry, complain that it cannot be just coincidence that the present slump in the tin price coincides almost exactly with the re-start of tin trading on the London Metal Exchange (LME) last June after a three-year break.

Such is the LME's domination of non-ferrous metal futures trading that tin contracts world-wide are based on its prices. You can hardly blame the Cornish miners for having visions of LME traders in their comfortable offices in the City manipulating the tin price for their own profit and at the expense of those who sweat to win the metal.

That, says Clem Danin of Charles Davis (Metal Brokers) and chairman of the LME's tin committee, is like blaming the thermometer when you have a fever.

A great deal of the smuggled tin comes from the notorious Bom Futuro (or Good Future) mine in Brazil's Amazonian jungle where there are still daily knifings and shoot-outs among the 45,000 hard-drinking, low-living wildcat miners. The authorities find it impossible to control these *garimpeiros* who work low cost, high grade, easy-to-extract cassiterite - which contains about 50 per cent of tin.

The *garimpeiros* have been working Bom Futuro since 1987 and the recent upsurge in smuggling has been stimulated by Brazil's two-tier currency arrangements. A trader in tin for official export must have a licence and pay for the metal at the official exchange rate.

However, according to Robert Goldsobel, of RMT Metals and a trader who has made frequent visits to Brazil, it is legally possible to buy Brazilian currency at the so-called "parallel rate" which adds brings you 100 to 150 per cent more cruzeiros for your US dollar than the official rate.

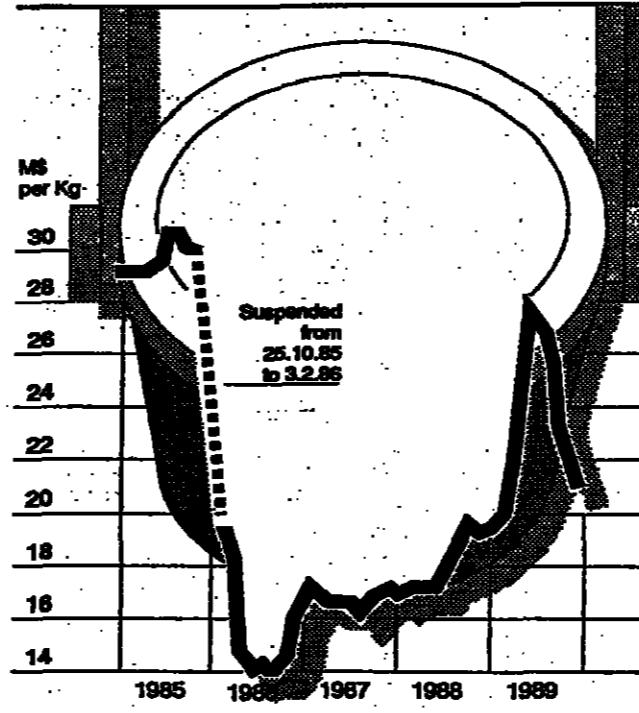
Most of the unlicensed cassiterite goes to Bolivia or Peru and is passed on to smelters in South America and Europe.

Smuggling is a threat to the rest of industry because, although tin consumption is

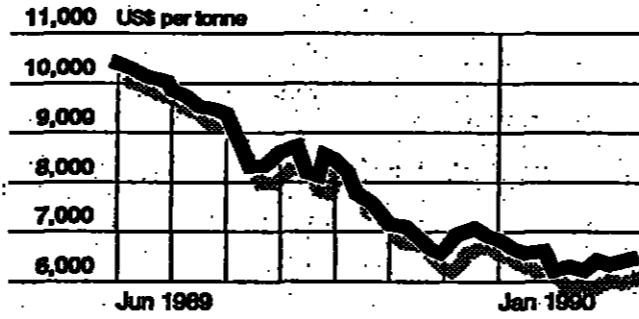
Kenneth Gooding reports on smuggling from Brazil

Adventures in the tin trade

TIN PRICES: Kuala Lumpur



TIN PRICES: London Metal Exchange



ing at official exchange rates) but a buyer using cut-price cruzeiros gets half-price tin.

Of course, this tin must be smuggled out if the buyer is to make a profit. Smuggling is a criminal offence in Brazil, and it Bom-Futuro is not very far from the Bolivian border and the authorities find it just as difficult to police the dense jungle frontiers as to control the *garimpeiros*.

Brazil is now the world's largest tin producer. According to RMT, the National Department of Mineral Production, official output last year was about 50,000 tonnes. It admits that an additional 5,000 tonnes were smuggled abroad.

Much of the unlicensed cassiterite goes to Bolivia or Peru and is passed on to smelters in South America and Europe.

Smuggling is a threat to the rest of industry because, although tin consumption is

showing healthy growth - about 5 per cent a year - it is not rising fast enough to absorb surplus stocks and new production of the metal.

In the early 1980s smuggling was rampant, mainly in south east Asia, and it fed a supply surplus which eventually resulted in the collapse of the tin market in October 1983 when the international Tin Council (ITC) ran out of funds to support the price.

About 120,000 tonnes of tin was left in stocks, enough to keep consumers satisfied for nine months; it depressed the price for more than three years. However, in March 1987 the Association of Tin Producing Countries (ATPC) which represents all the major producers except Brazil and China introduced an export quota system which whittled away stockpiles.

Last year reported stocks

were only 25,000 tonnes, or six weeks of current usage. The tin price started to rise rapidly. From \$7.200 a tonne at the end of 1983, it reached a peak of \$10,700 in April.

When tin trading re-started on the LME in June the price stayed high for a time but then started to drift steadily downwards. The price crumbled this year after it was revealed that the producers had lost control and western world stocks were on the rise again. They currently stand at about 36,000 tonnes.

Peter Bonner of Anglo Chemical suggests that, if the market was ever manipulated, it was by producers during the period immediately before LME trading started again. "We traders made more money when there was no LME because there was more mystery surrounding the market."

Philip Crowson, chief economist at the RMT Corporation, points out that tin prices have fallen to a level that puts producers under real strain even though they have cut costs enormously in the past decade. The marginal producers in 1983 had cash production costs of up to \$13 a lb. By 1985 that had been reduced to below \$7 and today the marginal cash cost is \$3.50 to \$4 a lb.

The Cornish mines reckon they need a price of about \$8.00 a tonne, or \$3.60 a lb, to break even. "So they are never going to do much better than break-even," says Crowson.

Clem Danin believes the industry has only itself to blame for its current tribulations. For more than 30 years before the 1985 collapse of the International Tin Council, producers and consumers were artificially buying up tin prices one way or another. One result was that the high-cost Cornish, Canadian and Malaysian mines remain in business while Brazil, which was a negligible producer in the early 1980s, was encouraged to pull out all the stops to increase production quickly.

Meanwhile, demand was weakened by substitution of other metals - such as aluminium in cans. Although tin is one of the oldest metals known to mankind, it remains an important international commodity. Some 70 per cent of production comes from four developing countries: Brazil (25 per cent), Malaysia (20 per cent), Indonesia (20 per cent) and Thailand (8 per cent). The big consumers, accounting for about 75 per cent of demand, are the industrialised countries: western Europe (30 per cent), US (25 per cent) and Japan (20 per cent).

The consumers use it for packaging, for solder, and as a chemical in a wide variety of materials. If producers could regain control and get stocks down the industry faces a healthy future even if annual demand growth drops below the current 5 per cent. But that means the smuggling from Brazil must be reduced substantially.

Robert Goldsobel of RMT believes that it might not take too long. Brazil's new president takes office on March 15 and is expected to take early action to end the *garimpeiros*. Mr Goldsobel says: "If the pressure between the tourist rate and the official rate comes down to 20 to 40 per cent, smuggling won't exist any more."

Expectations were only one aspect of policy, dominated in all countries by fear of German recovery and yet another world war. In deciding British

BOOK REVIEW

Ghosts of Germany past

Documents on British Policy Overseas, Series I Volume V, Germany and Western Europe 11 August-31 December 1945. HMSO for Foreign and Commonwealth Office. 596 pages. £55

policy Bevin had to cope with the uncertainties of American intentions - the doubts as to how long their troops would remain in Europe, the wide differences between General Clay and the State Department in Washington - and also the fears of the French: their efforts to detach the Rhineland and the Ruhr from Germany, their opposition to any moves to develop a central administration in Berlin, and were hard at work removing capital equipment, until tired of that, they organised current deliveries from German factories instead.

Over the first 10 post-war years, they took something like the \$10bn they had claimed as reparations at Yalta: East Germany went on to become the richest part of Communist Europe; but after Potsdam, when the arguments over reparations were over, Britain's acquiescence in the spring of 1946 was contingent on the preservation of German economic unity.

East Germany was in a sense a British invention. It came into existence, not because of a deliberate policy of dismemberment - that had been rejected by the Allies shortly after Yalta - but because the British had proposed to confine the occupying armies in separate zones, administered independently.

It is arguable that no other solution would have worked. Exactly as the "young Turks" attached to the British circles of staff had argued in 1944, the US was not prepared to abandon a grip on Germany that provided security and the prospect of participation in the government of the rest of the country; while the western Allies were set on retaining influence on as much of Germany as possible.

If economic unity was an illusion, reparations from the western zones were debated in a world of pure fantasy. The trivial skirmishes with the treacherous; disagreements were as likely to be over the size of the average egg laid by a Balkan hen as over Germany's future contributions for steel.

Reparations were only one aspect of policy, dominated in all countries by fear of German recovery and yet another world war. In deciding British

The reviser was a member of the Economic Advisory Panel to Berlin from 1945 to 1946.

Sir Alec Cairncross

OBSERVER

it will. Will an image campaign make any difference?

Blackballing

■ Stories keep appearing about people being blackballed at London clubs. I find them very odd for two reasons. One is that on the whole members do not leak what happens inside a club. The other is that if a candidate for election is not going to make it, the process is almost invariably stopped before blackballing takes place. Either the candidate is allowed to peter out for lack of support, or the proposer and seconder. So I do not think that stories about people being blackballed should necessarily be believed. Unless it is like those Indians who were reported to attack the town names Mr. Cambell (faded). Perhaps there is a certain kind of putting it around that you were blackballed by a London club.

Old hat

■ The report on the House of Fraser contains a strange statement on its second page. "First published in 1985", it

Richard von Weizsäcker, President of the Federal Republic, talks to David Marsh

Calming the German frenzy

In the gladiatorial debate over German unification, Mr Richard von Weizsäcker, the West German President, is striving to project the measured tones of the pulpit above the roar of the arena.

During six years as the head of the West German state — a constitutional position which gives the incumbent authority but no real political power — Mr von Weizsäcker has become, with elegance and effectiveness, the conscience of the nation.

One year into his second five-year term, he is also unusually popular — both east and west of the Elbe. He is a liberal conservative who is a somewhat dissident member of Chancellor Helmut Kohl's Christian Democratic Union (CDU). Perhaps because Mr von Weizsäcker is almost universally favoured as the future of a single German state, he has so far not been from the debate about German unification, increasingly frenzied ahead of East Germany's first free elections on March 18.

On Tuesday, however, the President chose to intervene in an interview with the Financial Times and three other for-

twinkle and then back again. But he has the knack of saying more in a quick off-the-record aside (usually delivered in the twinkie mode) than Mr Kohl produces in several fulminatory minutes.

Mr von Weizsäcker is a practising Protestant; Mr Kohl is a Catholic. The President's human links with the East stem both from his early years spent in Berlin and also from his long contacts with the East German Protestant Church. He was governing mayor of West Berlin between 1961 and 1964.

In spite of the bankruptcy of 40 years of communism, the President believes that East Germany can bring "character" and "values" into a unified state. "People were disadvantaged. But under dictatorship, they lived lives in solidarity. This didn't make them heroes, but it gave them experiences which need to be maintained."

Mr von Weizsäcker takes issue with the increasingly apocalyptic mood of the unification process, illustrated by the continuing decline of East Germans to the West to acquire D-Mark living standards.

Born in 1929, 10 years after Chancellor Karl, Mr von Weizsäcker was a young infantryman in the Wehrmacht who took part in the invasion of Poland in September 1939.

When the fighting ended, Mr Kohl was 15 and had spent the latter years of the conflict watching bombs drop down on his home town, the Rhineland industrial city of Ludwigshafen. In 1945, Mr von Weizsäcker was a war-weary captain who went on to help defend his father — state secretary in the Third Reich Foreign Ministry between 1933 and 1945 — against war crimes charges at a Nuremberg tribunal.

In interviews, Mr Kohl's homely blusterings invite the journalist to shout to get a word in edgeways. But Mr von Weizsäcker's eloquent and complex syntax virtually defies interruptions, forcing a listener to wait until he weaves an intricate way through to the verb at the end of the sentence.

Both German leaders can be thin-skinned, but Mr von Weizsäcker's humour is considerably more delicate than Mr Kohl's performing *Schadenfreude*. Unsurprisingly, the look in the president's eye can flicker suddenly from steel to a

'One-sided economic pressures undermine the need for understanding and equality between the two German states'

ign newspapers, he spoke out against the "very escalated debate" in the Federal Republic over unity with the East. He warned against "one-sided economic pressure" driving forward the pace of unification.

Mr von Weizsäcker spoke a few hours after Mr Kohl climbed down from his controversial demand last Friday that a united Germany would accept Poland's existing western border only if Warsaw agreed to remove all war reparation claims.

The President is known to side strongly with Mr Hane-

ck, who has written the green paper, on what evidence it is based on the professionalism of its author. Yet the green paper inevitably becomes the agenda for discussion and subsequent legislation.

The body would have called for evidence which would have been published, again including the names and qualifications of the witnesses. The public would have been able to see where the advice came from and the arguments that supported it.

The modern way is for the Government to produce a green paper. No one knows

when it is decided only on the basis of access to the verb at the end of the sentence.

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LETTERS

Green papers: no basis for legislation

From Lady Seear.

Sir, How right you are to say ("The stubborn approach", March 5) that government policies have been worked out without sufficient opportunity for public debate and involvement.

In the past, before the introduction of important policy changes such as those planned for local government finance, or the student loans scheme, or the courts and legal services alterations, a commission of inquiry would have been set up. The members of such a body would have been chosen

to reflect a variety of different views; their names would have been known and they would have had professional reputations to lose if their proposals were not adopted.

The body would have called for evidence which would have been published, again including the names and qualifications of the witnesses. The public would have been able to see where the advice came from and the arguments that supported it.

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Scientific collaboration with the private sector

From Mr John V. Burke.

Sir, David Fishlock's review of Mark Dodgson's study of Caltech ("Defying the scientific odds", March 1) has lessons for the long-term future of new science-based healthcare businesses in the UK.

Research and development into biotechnology products, such as pharmaceuticals and diagnostics is not only very costly and protracted —

eight-to-10-year gestation periods are not uncommon for pharmaceuticals — but pressures for short-term profits can be especially damaging to new ventures.

We have centres of expertise which, harnessed to the discipline of commercially driven research can ensure that Britain is not left behind again.

John V. Burke,
Director and Chief Operating Officer,
Porton International,
100 Piccadilly, WI

We all know that to control the agenda is half way to the control of the ultimate decision. It is time we recognised that anonymous green papers are no basis for acceptable legislation.

Seear,
House of Lords,
Westminster, SW1

and thereby remain effective, the basic answer is to pay appropriate salaries.

M. Priest,
Manager, Professional Services,
Institution of Mechanical Engineers,
1 Birdcage Walk, SW1

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Low-flying salaries in the aerospace industry

From Mr M. Priest.

Sir, The problems referred to by Paul Bets and Charles Bachelor ("Skills shortage worsens," and "Home-grown skills," February 27) share one theme — the failure of certain companies to recognise the need to pay adequate remuneration.

UK education: jumping to invalid conclusions

From Ms Ann Robinson.

Sir, If Mr James Murphy's comments (Letters, March 3) are representative of the standard of scholarship in the Educational Research Department at Lancaster University, he merely confirms Mr Peter Morgan's comments on the state of British education in his speech to the Institute of Directors on February 27.

Mr Murphy claims that "only 11 per cent now leave school with no public examination achievement compared with four times that figure in 1970." But he is not really making a valid comparison.

In 1970 the only public examination available to school-leavers was the GCE "O" and "A" level. This appealed to a very narrow band of students

and accordingly a new examination, the GCSE, has been introduced specifically to widen the band of school-leavers who can claim a certificate.

If we examine the statistics for those who left school in 1988 with GCSEs of above grades D and E (equivalent to an "O" level pass), then we find that Mr Morgan's statistics (quoted from the Annual Abstract of Statistics, 1990, p68, table 3.14) are perfectly correct.

As an academic, Mr Murphy should know that you cannot compare two entirely unlike objects as he has done. Equally, there is considerable evidence of a serious shortage of graduates, particularly in the more technical subjects like science, engineering and accountancy. This is borne out

by the fact that many companies are now moving their recruiting exercises into the mainland of the European Community to draw upon a larger pool.

Mr Murphy is correct in stating that the UK produces an average figure of graduates relative to other major European countries. What is more frequently quoted, however, is the low relative percentage of the UK's 16-25 population in full-time education.

Rather than Mr Morgan's arguments being threadbare, it is Mr Murphy (who should know better) who has jumped to invalid conclusions.

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Head of the Policy Unit,
Institute of Directors,
116 Pall Mall, SW1

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President von Weizsäcker: Germany's conscience

It exists only at the level of a hard currency.

Mr von Weizsäcker voices strong misgivings about prescriptions from Bonn to the East Germans, some of which come directly from Mr Kohl's office in Bonn. Stating that "first and foremost" it is up to the East Germans to decide the path to unity, he criticised "excitement" in the Bonn coalition over using Article 23 of the federal constitution to implement a takeover of East Germany.

He acknowledges the temptation of the Federal Republic makes adjustment from communism more difficult for the East Germans than for other formerly East bloc countries. "The Germans in the West have a disadvantage which they do not share with the Poles and the Hungarians and the Czechs and the Slovaks — that they are not forced to be patient."

In a manner which is clearly vengeful rather than pontifical, he emphasises: "One-sided economic pressures undermining the need for understanding and equality between the two German states."

Asked about foreign scepticism about German unity, Mr von Weizsäcker says, with only the slightest trace of smugness, "We have a more delicate and international. One cannot believe that the growing togetherness of the German people can be well anchored if

they are not, he points out, the case with Bismarck."

Becoming more serious, he says that concerns abroad — both about Germany's inwards-looking tendency, and about the growth of its economic potential — "are understandable, and they have to be taken seriously."

He adds: "My main reason for confidence that these concerns will be shown to be unfounded in that we have a functioning democracy."

With just the slightest of hints that he may indeed be talking about Mr Kohl or the Polish border, he goes on: "If someone makes serious mistakes, he will be corrected, through the functioning of democracy, through competition of the parties, and through the action of the media."

Mr von Weizsäcker says that a automatic mechanism for East German states to accede to the Federal Republic, is favoured by Mr Kohl as the speediest way towards unification. But Mr von Weizsäcker says that a process of "economic unification" could produce "disease" in a future united Germany.

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Thursday March 8 1990

RULING PARTY ACCUSED OF POLL FRAUD

Mexico crushes opposition election protests

By Richard Johns in Mexico City

MEXICAN police have crushed opposition protests against alleged electoral fraud in Guerrero state, underlining the Government's growing impatience with political dissent in Mexico's tourism hub.

Three policemen were killed as security forces forcibly dispersed supporters of the left-of-centre Party of the Democratic Revolution (PRD) from the town hall at Cruz Grande, near Acapulco. It was one of 18 which had been occupied since December 10 in the wake of bitterly-disputed municipal elections and allegations of fraud.

The PRD reported that there had been violent confrontations at four other municipal headquarters as anti-riot squads and the Federal Judicial Police (PJF) moved in before dawn in a surprise attack. The struggle at Ometpec, 50 miles south-east of Acapulco, left two activists dead, nine hospitalised and at least 70 members arrested, the party said.

Mr Jose Francisco Ruiz Massieu, the controversial Governor of Guerrero, flew to Mexico City on Tuesday for talks with the Government. The state leaders of the ruling Institutional Revolutionary Party, Mr Reuben Figueras Alcover, and Mr Rosalio Wences Reza, have now agreed on a "truce" and a halt to violence" under the auspices of the Ministry of the Interior.

Mr Carlos Salinas de Gortari, Mexico's President, has pledged to liberalise Mexico's political system and open it to opposition parties. But he has been severely hampered by the unwillingness of some elements in the ruling Institutional Revolutionary Party (PRI) to relinquish power, and the Government has come under heavy criticism for the continuation of alleged ballot-rigging.

The violence is the latest escalation of conflict over the disputed elections. It has also demanded that judicial proceedings be taken against Mr Ruiz for violations since mid-1988. Last week, three PRD activists were killed when police removed demonstrators blocking the roads to the two airports serving Acapulco and Ixtapa, two major tourist towns.

The Mexican Government is known to be concerned that the violence and unrest are damaging the image of Guerrero, which depends heavily on tourism.

The PRD is demanding the dismissal of Mr Ruiz, the appointment of an interim governor and the holding of new elections. It has also demanded that judicial proceedings be taken against Mr Ruiz for violations of the Law of Responsibilities of Public Servants. The State Electoral Commission has agreed that the results of the polls last December for six municipalities should be annulled and has already ceded three disputed town halls.

Three town halls were evacuated peacefully and a compromise reached over the future of seven others on the basis of power-sharing between the PRD and the PRI. That leaves three town halls still occupied in troubled Guerrero. In Michoacan, meanwhile, members of the centre-left opposition still occupy 23 municipal headquarters.

Britain criticised by North Sea nations

By John Hunt, Environment Correspondent, in The Hague

BRITAIN came under fierce attack yesterday as the only country still dumping industrial waste and sewage sludge in the North Sea beyond the agreed deadline.

At the opening of a North Sea conference in The Hague, Britain was also accused of causing seabed contamination in the Irish and North Seas from British Nuclear Fuels' reprocessing plant at Sellafield and concern was expressed about the proposed Atomic Energy Authority plant at Dounreay in Scotland.

The environmental ministers of Denmark, Sweden and Norway last night delivered a letter to Mr Chris Patten, UK Environment Secretary, demanding the immediate ending of all British dumping of industrial waste and sewage sludge in the North Sea. They said it was of great concern to fishermen, environmental groups and the general public.

They stressed their concern about proposals for the nuclear reprocessing plant for fast reactor fuel at Dounreay. They believed that even with the best technology, unintentional discharges of radioactive material could occur with "severe effects on human health and the marine environment." It would have unpredictable impacts on the fishing industries of Norway, Iceland and the Faroe Islands.

Mr Patrick Flynn, Irish Environment Minister and president of the EC environment ministers' council, called for the closure of Sellafield. Mrs Kristin Bille Villa, Norwegian Environment Minister, urged that the Dounreay proposals should be abandoned.

Britain has said it will end nearly all industrial dumping by 1992 and cease sewage sludge dumping by 1998. Under the 1987 North Sea declaration,



Chris Patten: calls for a positive and constructive approach instead of lectures

industrial dumping should have ended last year. The criticism of Britain was led by Mrs Lone Dybkjaer, Danish Environment Minister. She said the attitude of Mr Patten on dumping was like Nelson putting his blind eye to the telescope.

"We are becoming very concerned that the UK Government has failed to see the signal regarding dumping in the North Sea," she said.

She urged the UK to phase out immediately the disposal of sewage sludge because alternative methods were available.

Mr Patten rejected the criticisms and accused Mrs Dybkjaer of preparing her speech without regard to Britain's latest pollution reduction.

Replying to the Norwegian criticisms, he said outlined planning permission had been given for the Dounreay plant. But a final decision on whether

it should go ahead would not be taken for five or six years.

The conference decided to phase out and destroy all PCBs (polychlorinated biphenyls) by the end of 1990. This was a compromise by the UK and France which had been pressing for the year 2000 as the target date.

Defending the Sellafield plant, he said discharges had been cut by 90 per cent and a new investment programme intended to reduce the remaining discharges by a further 90 per cent.

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US offers solution to IMF quotas dispute

By Peter Riddell, US Editor, in Washington

THE US, seeking to act as an "honest broker," has offered a compromise in the dispute between Britain and France over the size of their respective shareholdings or quotas in the International Monetary Fund.

The problem arises from Japan's desire to become the second-largest shareholder, a rank held by Britain, which has agreed to give up some of its voting share. However, Britain and France each insist on its right to occupy fourth place according to complicated measurements of economic performance.

Britain argues that it is not the country holding up the

quota review, although completion of decisions is being delayed by the ranking issue and by discussion of US proposals to deal with arrears owed to the IMF by Third World countries.

The suggested solution, put forward on a recent visit to Europe by senior US officials, is that Britain and France would for the moment have an equal ranking while they worked out a period of adjustment in quotas. But there is apparently no agreement on how to adjust quotas.

The US, with no direct interest in the ranking question, has sought, according to a senior Administration official, to be "helpful, acting as an honest broker." US officials find the dispute rather puzzling, while acknowledging its "symbolic importance." In practical terms, the ranking affects the number of senior posts allocated to a country at the IMF headquarters in Washington.

A senior US official involved thought that the dispute would not be sorted out until the overall quota review was completed (probably by early May), but that then both Britain and France would reach an agreement to avoid being accused of holding up decisions.

Sir Antony Acland, the British Ambassador to the US, yesterday wrote to the Washington Post to insist that the UK was not seeking to hold up the quota review. "For from blocking agreement, the UK has in fact helped provide a solution to this problem by offering to give up some of its own voting rights" (to help Japan).

Saying Britain was "perfectly happy to accept the results of the quota formulas and to accept the consequent fall in IMF ranking," he added that the formulas left the UK in fourth rank, whichever year's data is used as a base.

whose involvement was said by the inspectors to have lent the Fayed bid credibility, said it would not be making a statement.

The Bank of England said it would be studying the report to see whether any action was needed over Harrods Bank, the licensed bank which is part of the group. It would also be studying the comments made about Kleinwort Benson, it said.

Herbert Smith, the law firm

position independently, said the report "accepted that Kleinwort Benson acted in good faith."

The bank said that there were limits to what could be verified, particularly in the private affairs of non-corporate clients. It had relied on what it had been told and on its own reasoned judgement, but did not have available to it the contrary evidence supplied by others.

Mr Warwick said that the 20 per cent figure was not a fixed figure but a target indicating market openness.

Among non-manufacturing companies, the confidence rating fell from 52 per cent to 49 per cent, a figure which the central bank still regards as satisfactorily high.

Labour shortages continue to be industry's biggest problem. The number of companies reporting difficulties was the highest on record.

Mr Nakao said the results showed the economy was on a

plateau with little sign of growth decelerating. The survey showed a confidence rating of 53 per cent among manufacturers, against 53 per cent in November.

The bank's survey is the strongest evidence published so far that the fall in equities, Japanese bonds and the yen is having little or no impact on industry. The bank's quarterly reports on business confidence are regarded in Japan as one of the most important leading economic indicators.

Soundings carried out in the days after the upheaval in the market indicated no change in

the opinions of business leaders, said Mr Masaki Nakao, director-general of the central bank's research and statistics department.

A survey carried out in mid-

February, before the recent plunge in the Japanese stock market, showed companies were as confident of their prospects as they had been at the time of the last survey in November.

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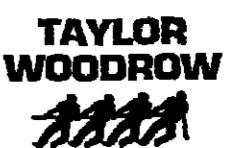
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FINANCIAL TIMES

COMPANIES & MARKETS

Thursday March 8 1990

Teamwork in Construction
Housing Property Trading

INSIDE

End of star trek
for Captain Kirk?

Heads are being scratched in Hollywood. The big question in Tinsel Town is: has Kirk Kirkorian (left) finally met his match or merely made another match? It was announced yesterday that Mr Kirkorian, majority owner of MGM/UA, had agreed to sell the Hollywood film and television studio to Italian financier Giancarlo Parretti. One point troubling doubters is whether Mr Parretti can come up with the cash to complete the purchase. He says he can and will. Page 25

Grains of happiness



A triumph for the free market economy is being quietly celebrated in Vietnam. Quietly, because the official party line in Hanoi is that political pluralism is not on the agenda. So, although some experimentation with aspects of the market economy has been permitted, even encouraged, by the old men of the Politburo, there are assumed to be limits beyond which they will not be pushed. But where those limits now lie has been called into question by the extraordinary transformation of food supplies in Vietnam: essentially the availability of rice. Roger Mathews reports. Page 31

Strike on Mount Olympus

Nikitas-Niarhos, the president of the Athens Stock Exchange, is a harassed man these days. While share prices surge to record levels, the temporary clerical staff who inscribe transfers of ownership in Dickensian ledgers have gone on strike. A banner hung from the classical columns of the exchange entrance demands that their jobs be made permanent. But delays of up to a month in settling transactions have not deterred investors. Page 44

Spaced out aerospace

Australia is too small for Australian says its managing director Fausto Gargiulo. With 100 staff, Australia's state-controlled aerospace group, is looking for acquisition opportunities to spread its operations around the globe. It made its first significant move last year when it acquired majority control of Dee Howard, a US company based in San Antonio, Texas. Now it is scouting for other acquisitions in the US and, especially, European markets to strengthen and complement the group's commercial aircraft side which accounts for nearly 40 per cent of Australia's sales. Page 24

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Chief price changes yesterday

FRANKFURT (DM)		PARIS (FFM)	
BMW	+ 55	Bayreuth	572 + 218
Hochfild	+ 65	Hutchinson	1210 + 875
KHD	+ 11	IBM	2285 + 225
Mercedes	+ 17	Lechler	751 - 95
PSG	+ 95	Loesche	514 - 1
Varta	+ 55	Rougemont	1870 - 923
		Rowett	550 - 23
NEW YORK (\$)		TOKYO (Yen)	
Alcan	+ 2%	Can David	1860 + 100
Compaq	+ 2%	Co-op Chem.	1170 + 80
IBM	+ 1%	Elect. 1230 + 100	
Petrie Comms.	+ 4%	Tabak Paper	1200 + 80
Philips	+ 4%		
Hilti	- 1%	Febra	940 - 100
Honeywell	- 1%	Hercules Chem.	1330 - 100
New York prices at 12.30.			
LONDON (Pounds)		Scot. New.	
Alcatel-Lucent	+ 11	Unilever	300 + 12
Barclays	+ 4	Water Pig	1585 + 15
Barings	+ 14	Whitbread A	575 + 10
BSI	+ 7	Postel	575 + 10
Charrington A	+ 15	Hornbeam	50 - 10
Hoover Sols.	+ 15	Postel	50 - 10
Luftsafe	+ 12	Postel	50 - 10
MTZ	+ 11	Postel	50 - 10
Natwest	+ 22	Unilever	304 - 5

GKN profits climb 21% to £215m

By Clare Pearson in London

The UK automotive and engineering group, increased pre-tax profits by 21 per cent to £215.4m (£354m in 1989 from £177.6m a year earlier).

Mr David Lee, chairman, said every business and each regional portion of the group had improved its margins as well as its profits. The percentage increase in pre-tax profit outstripped a rise in turnover to £2,600m from £2,376m. Earnings per share for the 12 months rose to 50p from 44p.

The share price, yesterday closed 10p higher at 50p. The stock market was pleased to see a 17.6 per cent rise in the year's dividend to 20p (17p) — after a

final payment of 12.5p (10.75p) — as well as to hear a statement from Mr David Lee, chairman, that was less cautious than some had feared. Mr Lee described the outlook for 1990 as "mixed". In the UK, where GKN now makes less than 40 per cent of its group sales, he said the company was feeling the effects of higher interest rates in mature markets, though not all of its activities.

The UK automotive and engineering businesses had been weaker since the end of last year, while US demand was so far continuing last year's soft trend. In continental Europe, automotive demand was still robust.

Sales to Japanese car manufac-

turers around the world more than doubled to 270m in 1989. Mr Lee said new sales to these so-called Japanese "transplant" businesses should help alleviate an overall flattening of demand from the automotive sector.

Mr Lee said that recent initiatives to achieve a short-term work force reduction by 1,000 had had only a limited effect on GKN, mainly because union negotiations were decentralised.

He said it was too early to say what effects political changes in eastern Europe would have on GKN's defence-related interests. But he was happy that GKN's products were aimed at defence mobility, an area of the industry which he would expect to be more robust than others.

After £5.6m of redundancy and reorganisation costs, the surplus on trading last year rose by 234.4m to £191.9m.

The improvement was almost entirely organic with acquisitions and disposals, as well as exchange rates, having no material effect.

The dominant automotive and defence activities improved trading profits to £117m (£100m) on sales of £1,376m (£1,282m). A net contribution from related companies of £25.5m (£41.2m) was boosted to £26m by a first-time full-year inclusion of GKN's hold-

ing in Westland, the helicopter company.

The industrial services and distribution division made trading profits of £74.2m (£25m) on sales of £742.8m (£700m). Scaffolding and the UK arm of the UK arm of the division. Automotive and engineering units were having only a limited effect on GKN, mainly because union negotiations were decentralised.

Gearing (net debt and a percentage of shareholders' funds) rose from 35.6 to 44.6, but about half of the increase was attributable to exchange rate movements. Higher interest rates, mainly on D-Mark and US dollar debt, were reflected in net interest payable of £33.6m (£21.1m).

The banks will, in the next twelve months, seek to clarify outstanding legal issues. But it appeared last night that not all of the banks had accepted DG's proposals.

Credit du Nord, the commercial banking subsidiary of the Paribas group, said it had settled all its differences with DG Bank.

Banque Nationale de Paris, which had DM1.13bn of bonds at stake, Caisse des Dépôts, with somewhat less than DM1bn, and Sogefin are understood to have obtained full repayment from DG Bank, including interest penalties for the delay in completing their transactions.

Other French institutions have rejected the settlement. "DG Bank's proposals are not satisfactory," said Mr Patrick Combès, whose banking subsidiary was involved as intermediary in many of the disputed transactions.

DG's announcement, which took observers in both Frankfurt and Paris by surprise, follows a series of talks between Mr Helmut Guenther, DG Bank's chief executive, and the nine French banks involved in the dispute. The controversy over the disputed bond trades arises over the contention that DG bank promised to repurchase German bonds which had earlier sold to the French banks before the recent bond market collapse which sharply reduced the value of the securities. DG has maintained that this oral agreement is not binding. It has already made a provision of DM220m in its 1989 accounts to cover the loss of value on the bonds.

DG Bank said the main element of the agreement with the French banks was that the technical settlement of the outstanding bond trades has been finally resolved. But both sides would still be able to make any legal claims for compensation within a period of 12 months.

Yet one thing seems clear. Consumers Gas is not the last company which will come within DG's acquisitions strategy — such as Bow Valley stake. But the Consumers Gas acquisition cannot be faulted on this score. Indeed, the Canadian company is a secure, but unexciting operation, much like British Gas itself.

The buoyant growth of the southern Ontario economy, coupled with the increasing popularity of natural gas, has pushed Consumers Gas' earnings steadily upward. Net income climbed by 7.6 per cent to C\$102.8m in the year to September 1989 on revenues of C\$1.3bn.

British Gas appeared to lack definitive plans for Consumers Gas, beyond vague intentions of joint work on research and development and marketing. Mr Charlie Donovan, British Gas' managing director for group services, said: "we think the management is very good and don't see any need to change it at all."

The scope for collaboration between Bow Valley and Consumers Gas also seems limited. A move by Consumers Gas to buy gas from Bow Valley would be subject to regulatory scrutiny.

Yet one thing seems clear. Consumers Gas is not the last company which will come within DG's acquisitions strategy, "with 25 per cent gearing and a steady and growing cash flow, there is no reason why this should be the end of our acquisitions," Mr Donovan said.

British Gas answers call of the wild

David Thomas, Steven Butler and Bernard Simon on the group's expansion in Canada



Harry Moulsdon (left) and Charlie Donovan announcing the proposed deal yesterday

tougher on exploration and production activities.

All big foreign acquisitions need to be vetted by Investment Canada, the Federal Government's foreign investment watchdog. Ottawa has yet to turn away an investor, but it often imposes conditions on a buyer, covering oil security, transfer of technology and other industrial benefits.

One of the Ontario Government's most likely demands is that a minority stake in Consumers Gas continues to be publicly traded in Canada. Mr Robert Evans, British Gas chairman, yesterday professed himself relaxed about this prospect. At present 16 per cent of Consumers Gas is not held by the existing controlling shareholder, GW Utilities.

British Gas acknowledged the hurdles it still faces yesterday by estimating that the deal might

not be completed until the early autumn. Mr Harry Moulsdon, the company's director of new business development, said: "we cannot guarantee that there will not be political issues raised, but we are confident that there will be no regulatory issues."

The second question — assuming that British Gas eventually completes the deal — is whether the investment makes sense.

In the past, investment analysts have raised most doubts about British Gas's acquisitions strategy when it seemed to be leading the company into risky activities or areas it did not fully understand, especially in exploration or production — such as the Bow Valley stake. But the Consumers Gas acquisition cannot be faulted on this score. Indeed, the Canadian company is a secure, but unexciting operation, much like British Gas itself.

An alternative suggestion of Scottish & Newcastle Breweries as a candidate for a deal with Carlsberg was dismissed by sources close to the company.

Mr Petersen said he expected the world's big brewers to continue forming strategic alliances cemented through share swaps.

Charterhouse Bank is left with an 11.8% holding in Lowndes

By Maggie Urry in London

CHARTERHOUSE Bank has been left with an 11.8 per cent stake in Lowndes Queensway following the completion of the furniture and carpet regular's rights issue. Charterhouse is the lead bank to the loss-making retailer, formed by the £450m (£740m) leveraged buy-out of Harris Queensway in August 1988.

However, it is thought that Charterhouse was prepared to take on the £2m equity stake when it arranged the £50m rights issue as part of a £70m refinancing package in January. The issue left Charterhouse with 61.8m shares, having underwritten 67m shares in the rights.

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INTERNATIONAL COMPANIES AND FINANCE

Matchmaking on the Hollywood set

Alan Friedman looks at the latest of Kirk Kerkorian's agreements to sell MGM/UA

Has Mr Kirk Kerkorian finally met his match? Or has the enigmatic 73-year-old billionaire son of Armenian immigrants — the majority owner of the legendary MGM/UA Hollywood film and television studio — merely made another match?

This is what the residents of Tinsel Town are asking themselves after yesterday's official announcement that Mr Kerkorian has agreed — yet again — to sell MGM/UA, this time to Mr Giancarlo Parretti, the Italian financier.

Heads are being scratched in Hollywood for a variety of reasons, not least because Mr Kerkorian has touted MGM/UA for sale so many times in recent years, always pulling out at the last minute. Doubters also wonder if Mr Parretti, who has expressed repeated interest in acquiring MGM/UA, can come up with the cash. He says he can and will, and is pledging \$200m of company money as a sign of good faith.

In the 21 years since Mr Kerkorian bought control of Metro-Goldwyn-Mayer (United Artists) was acquired for \$300m in 1981 and merged with MGM) he has spun off, sold, re-bought and generally shuffled assets with a great fervour. The result, say studio chiefs in private, is that poor old "Leo the Lion," the symbol of MGM, is looking distinctly mangy.

Mangy or not, Mr Kerkorian's latest deal calls for Pathé Communications, the



Kirk Kerkorian: obsessive and whimsical deal maker

small Hollywood studio that was still known as the Cannon Group when it was rescued by Mr Parretti last year, to pay \$20 a share in a public tender offer; or nearly \$1.5bn.

Mr Kerkorian has promised to tender his 30 per cent of MGM/UA stock. Yesterday the MGM/UA share price stood at \$174, a rise of 8%.

MGM/UA comes not only with a 1,000-title film library including 16 James Bond movies and the Rocky and Pink Panther series, but also approximately \$400m-worth of debentures and \$200m of non-interest bearing supplier debts.

This means that Mr Parretti, a 50-year-old native of Orvieto in central Italy, is embarked upon a deal worth \$1.5bn.

In Hollywood they say anything is possible, but that one should never, never buy anything from Mr Kerkorian, the obsessive and whimsical deal maker.

Last year Mr Kerkorian virtually razed MGM/UA in the wake of two collapsed deals: the \$1.5bn takeover by Qintex of Australia, which failed to come up with the cash in time, and a \$1.55bn offer from Mr Rupert Murdoch's News Corp.

But Mr Parretti, no stranger to controversy — he has raised eyebrows about the source of his funding — is undaunted by the septuagenarian deal-maker's famed penchant for corporate poker.

Mr Parretti dismisses the

claims, however, that he will finance the deal.

No problem, says the newest mogul, a man who arrived here less than three years ago and has already made a splash by steering Cannon away from losses, hiring Mr Alan Ladd Jr and then buying control of Pathé Cinema of France.

Pathé is believed to have broken even last year on about \$200m of revenues, half of which came from the group's 1,000 cinemas in Europe. MGM/UA meanwhile, in spite of having box office hits such as Rain Man and A Fish Called Wanda, turned in a \$74.7m net loss on \$376.5m of revenues in the financial year ended last August 31.

Mr Parretti's financing plan for the \$1.25bn tender offer for MGM/UA is understood to include the raising of \$200m cash from the Spanish Renta Inmobiliaria, the Spanish real estate concern he owns in partnership with Mr Flavio Florini.

A further \$200m may then be raised by trying to form a mini-consortium of European companies that would finish with minority holdings in MGM/UA; among these could be the Rivard Group of France, which, with Mr Parretti, is already a partner in Pathé of France.

Mr Parretti says that if he can add MGM/UA to his other holdings it would create "a bridge between the US entertainment industry and the European market."

The largest chunk of cash, however, would be raised by selling the worldwide distribution rights to the UA film library and some home video and foreign rights to the original MGM library, which was sold in 1985 to Mr Ted Turner, the Atlanta-based cable television magnate.

Mr Parretti has been negotiating for several weeks to sell these distribution rights for \$400m to \$600m to Time Warner, the leading media and entertainment group. Those talks were believed to be still under way yesterday.

Carefully there are a number of uncertainties for both Mr Kerkorian and Mr Parretti. One executive close to the deal put it: "The clock is ticking and a whole series of sub-deals have to fall into place pretty quickly in order to keep up the momentum and keep paying Pathé."

Others in Hollywood point out that given past Kerkorian "sales" of MGM/UA, the agreed Pathé acquisition will only be complete when there is a clear title, and that could take months.

If and when that closing does take place the maverick Italian financier should find his Hollywood credibility substantially enhanced. In the meantime the latest episode of the long-running MGM/UA show is now under way, starring the redoubtable Mr Kerkorian and the determined Mr Parretti.

Overall sales revenues were also down, to \$14.97bn from \$15.31bn.

The group blamed the falls

principally on the shutdown of the Bougainville Copper gold and copper mine in Papua New Guinea, which contributed \$16.5m in losses, and on

\$358m of debentures and is believed to have another \$200m of non-interest bearing supplier debt.

CRA pessimistic despite third year of record earnings

By Chris Sherwell in Sydney

CRA, the Australian resources group 49 per cent-owned by RTZ of the UK, yesterday reported its third successive year of record profits, but suggested it was unlikely to repeat the performance in 1990.

Results for the 12 months to December showed after-tax equity-accounted earnings of A\$64.6m (US\$48.8m), up 28 per cent from A\$50.47m. The 1988 figure has been adjusted upwards under new accounting standards covering extraordinary and abnormal items.

Earnings per share were 13.1 cents, up from 8.6 cents, and directors declared a fully franked final dividend of 38 cents to make 88 cents for the year, up from 42 cents.

Before the equity contribution of Pasmaico — CRA's 40 per cent-owned bags subsidiary — to the joint venture with North Borneo Hill Pele, the group's earnings were actually lower at A\$62.5m, including A\$7.7m of abnormal items.

The funder of all the A\$3m MGM/UA common and preferred shares, including Mr Kerkorian's stock, would place a \$1.25m value on the tender. In addition, MGM/UA has \$358m of debentures and is believed to have another \$200m of non-interest bearing supplier debt.

A\$102.5m insurance recovery would ameliorate the effects of the closure, but it was unclear when the company would be able to resume production, he said.

The A\$77m in abnormal items included profits from the self-down of CRA's Pasmaico holding to 40 per cent from 50 per cent, offset by the personnel and repair costs relating to the Bougainville closure.

During the year the group spent A\$67m on new projects and investments, including the purchase of BP Australia's coal operations, construction of the Channar iron ore mine in Western Australia and construction of the Kaltim Prima Coal project in Indonesia.

On top of its expanding interest in Indonesia and Papua New Guinea, the group had recently sold a 30 per cent interest in the group's remaining interest in an underground gold and copper deposit in the northern Philippines. The major shareholder is Lepanto Consolidated Mining.

CRA now has gross debts of A\$1.06bn and cash and short-term investments of A\$205m.

Gearing, measured as debt (net of cash) as a percentage of debt and equity, fell to 14.9 per cent from 18.4 per cent.

On an otherwise lacklustre stock market, the results provoked a positive response and CRA shares finished 25 cents higher at A\$12.15.

• Galactic Resources has sold 75 per cent of its 40 per cent stake in Far Southeast Gold Resources, to a wholly-owned unit of CRA for US\$15m, after reports from Vancouver.

CRA has an option to purchase the remainder of Galactic's interest for \$20m until May 1 1990, and for \$26m until October 28.

Far Southeast Gold, which Galactic jointly owns with Lepanto Consolidated Mining, owns the right to mine a gold/copper property in Benguet province in the Philippines.

Businessland dispute resolved by Compaq

By Louise Kehoe in San Francisco

COMPAQ Computer has resolved its disagreements with Businessland, one of the leading US computer retailers, and reversed its earlier action to stop selling its personal computers through Businessland outlets in the US.

The companies announced yesterday that Compaq has authorised Businessland to sell and service all of its products. A year ago, Compaq severed its long-standing reseller agreement with Businessland.

The agreement will strengthen Compaq's distribution network and make it more difficult for smaller personal computer manufacturers to compete in the US market, analysts said.

The reasons for the separation have been eliminated," Mr Mike Sweeney, president of Compaq's North American operations, said.

Problems between Compaq, the second largest US personal computer manufacturer after IBM, arose last year when Businessland obtained a special discount arrangement from IBM. "Businessland took actions that tilted the playing field," Mr Sweeney said.

Businessland's sales force favoured competing IBM products.

AGF in agreed deal for Canadian Surety

By George Graham in Paris

ASSURANCES Générales de France (AGF), the French state-owned insurance company, has agreed to buy 100 per cent of Canadian Surety, a Toronto-based accident insurer from the Can West Capital group, owner of the Global Television Network.

Mr Jean-Daniel Le Franc, AGF's joint managing director, said the price represented around half Canadian Surety's annual premium income of C\$130m (US\$110m).

AGF already owned 88 per cent of the much smaller insurance Group of Canada West, based in Edmonton, Alberta. Canadian Surety, which has around 1 per cent of the Canadian accident insurance market, has a strong presence in Ontario and Quebec.

As a state-owned group, AGF has difficulty in obtaining access to the US insurance market, so Canada is an important element in its North American coverage.

RJR Nabisco to sell Brazilian arm of RJ Reynolds to Dibrell Brothers

By John Barham in Sao Paulo

RJR NABISCO, the US food and tobacco giant, is to sell the Brazilian subsidiary of RJ Reynolds, its tobacco division, to tobacco traders Dibrell Brothers of the US.

Dibrell is expected to pay \$50m for the subsidiary. It intends to sell the cigarette operations to Philip Morris, the US cigarette group, and the tobacco processing operation to Universal Leaf of the US.

Dibrell will keep RJ Reynolds' tobacco trading arm, while Philip Morris will take over RJ Reynolds' local brands, but not its international

Financial services sale boosts Paramount

By Karen Zagor in New York

PARAMOUNT Communications, the US entertainment and publishing group, reported improved net income from continuing operations, thanks to interest income on proceeds from the sale last October of its profitable financial services subsidiary.

In the first quarter to end-January 31, the New York-based company had net profits from continuing operations of \$1.2m or 17 cents a share, compared with \$1.17m or 16 cents a share in the same period last year.

Paramount said the latest quarterly results included net interest income of \$37.3m from the investment of proceeds of \$3.35b in sale of The Associates, its financial services unit, to Ford Motor. Both sets of operating results excluded profits of The Associates.

The overall net was \$21.2m in the latest quarter and \$69.2m or 58 cents a share a year earlier.

"We are now convinced that Businessland intends to offer our products on a balanced basis," he explained.

The move also represents a setback for IBM, but is not expected to have a major impact upon IBM personal computer sales.

Businessland's sales force

had achieved in recent weeks after the revival of bid speculation.

Hilton had been for sale since last summer. But arbitrators said yesterday that the level of takeover interest in its hotel and casino properties had apparently been so disappointing that the board might be considering taking the company off the auction block.

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The shares fell by 94% to 61% in active trading on Wall Street, giving up the gains

Hilton Hotels shares fall after disappointing takeover offers

By Anatole Kalitsky in New York

THE SHARES of Hilton Hotels fell sharply again yesterday as the company's board met in Beverly Hills to consider financial strategies in the face of a disappointing set of takeover offers.

The shares fell by 94% to 61% in active trading on Wall Street, giving up the gains

achieved in recent weeks after the revival of bid speculation.

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This announcement appears as a matter of record only. These Securities have not been registered under the United States Securities Act of 1933 and may not, as part of the distribution, be offered, sold or delivered, directly or indirectly, in the United States or to United States persons.

New Issue / March 1990



U.S. \$100,000,000

Daiwa Overseas Finance Limited (大和海外財務有限公司)

9⁵% Guaranteed Notes Due 2000

Guaranteed as to payment of principal and interest by

The Daiwa Bank, Limited
(Kabushiki Kaisha Daiwa Ginko)

Daiwa Bank (Capital Management) Limited Salomon Brothers International Limited

Nomura International

Cosmo Securities (Europe) Limited

Chase Investment Bank

Manufacturers Hanover Limited

This announcement appears as a matter of record only.

NEW ISSUE



Canadian Imperial
Bank of Commerce

Canadian Imperial Bank of Commerce
(a Canadian Chartered Bank)

Japanese Yen 5,000,000,000

**8.6 per cent. Deposit Notes
due 8th March, 1991**

Linked to the Nikkei Stock Average

Issue Price: 101.25 per cent.

New Japan Securities Europe Limited Bankers Trust International Limited

Bank of Yokohama (Europe) S.A.

Daishin Securities Co., Ltd.

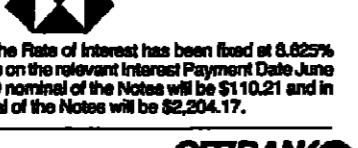
IBJ International Limited

Wood Gundy Inc.

**The Hongkong and Shanghai
Banking Corporation
(Incorporated in Hong Kong with limited liability)**
U.S.\$400,000,000
**PRIMARY CAPITAL UNDULATED FLOATING RATE NOTES
(SECOND SERIES)**

Notices is hereby given that the Rate of Interest has been fixed at 8.025% and that the interest payable on the relevant Interest Payment Date June 8, 1990 in respect of \$5,000 nominal of the Notes will be \$10.21 and in respect of \$100,000 nominal of the Notes will be \$2,204.17.

March 8, 1990, London
By Citibank, N.A. (CSSI Dept.), Agent Bank



**U.S. \$275,000,000
of which**
U.S. \$200,000,000 has been issued as the Initial Tranche

The Bank of New York Company, Inc.

Floating Rate Subordinated Capital Notes due 1997

Notice is hereby given that the Rate of Interest has been fixed at 8.5% p.a. and that the interest payable on the relevant Interest Payment Date, June 8, 1990 against Coupon No. 18 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$217.22.

March 8, 1990 London
By Citibank, N.A. (CSSI Dept.), Reference Agent: CITIBANK

INTERNATIONAL CAPITAL MARKETS

Australian watchdog hits at corporate regulation

By Chris Sherwell in Sydney

A POWERFUL attack on the "politicisation" and confused future of Australian corporate regulation has come from Mr Tony Hartnell, chairman of the new Australian Securities Commission, the watchdog which is to replace the existing National Companies and Securities Commission.

His comments, to the Commercial Law Association in Victoria, came at a crucial time. The federal election has precluded essential amendments to legislation establishing the ASC, jeopardising its scheduled July start-up. Furthermore, the business sector is alarmed at the deteriorating image of the country's regulatory standards.

The core problem is the failure of Australia's federal and state governments to agree on a simple and effective institutional structure for corporate regulation. The new ASC – intended to be a single national agency rather than a co-operative like the NCSC – is in trouble because of objections

recently accepted by the High Court, from three states. □

Jumping into the controversy, Mr Hartnell condemned the failure to develop "an Australian position" when all the pressures were to regulate according to international standards. He pronounced himself "strongly opposed" to any renewed split in responsibility for corporate regulation.

In particular, he drew attention to the fundamental difference between the present situation, where a council of government ministers exercised total oversight and control of the NCSC, and the ASC's status as an independent statutory corporation reporting to parliament and taking decisions independently of political direction.

In one pointed remark concerning the troubled Bond group of companies, he declared: "The overlay of politics in the present scheme has clearly been demonstrated, in recent times by the politicisation of the decision to appoint

a special investigator into the affairs of Bond Corporation Holdings and its associated companies.

There is absolutely no logical reason why a decision of this kind needs to be taken at a political level. Indeed, the elevation of this sort of decision to a political level has very real ramifications upon the public perception of the corporate regulatory process."

Even bigger than the political problem, he said, was the defective administration of the existing scheme, in which the behaviour and treatment of the states' Corporate Affairs Commission (CAC) was different, in spite of being arms of the NCSC.

According to Mr Hartnell, the problems would never be solved until the NCSC (or ASC) and the CACs were moulded into a close amalgam – and there is no better amalgam than unity. A split of responsibilities, he declared, would take Australia "substantially backwards."

INTERNATIONAL APPOINTMENTS
Hypo-Bank chairman to be next FAGB president

THE BOARD of directors of the Federal Association of German Banks has designated Mr Eberhard Martini, chairman of Bayrische Hypotheken- und Wechsel-Bank (Hypo-Bank), as the next FAGB president to take over from Mr Wolfgang Röller, chief of Dresdner Bank, West Germany's second largest bank.

Hypo-Bank is a Munich-based commercial and mort



Eberhard Martini
gage bank and West Germany's fifth largest publicly traded bank.

The Association is scheduled to elect the new president at its annual membership meeting on April 27.

A unanimous vote by the board of directors has made it virtually certain that Mr Martini will succeed Mr Röller, whose three-year term as president is expiring. Mr Martini had been widely rumoured to be top candidate for the post.

Former SEC chairman joins leading law concern

MR DAVID S. RUDER, former chairman of the US Securities and Exchange Commission, has joined Chicago-based Baker & McKenzie, one of the world's largest law firms, as a partner concentrating on corporate and securities matters.

Mr Ruder served as the 23rd chairman of the SEC from August 1987 to last September. He became a professor at Northwestern University School of Law, where he was a member of the faculty from 1981 to 1987. He taught courses in corporate and securities law, and was author of many articles in those fields. He served as Dean of the law school from 1977 to 1985.

He will still teach and participate in activities at Northwestern on a reduced basis.

NOKIA DATA, a leading information technology company in Scandinavia and forming part of the Finnish Nokia industrial conglomerate, has appointed Mr Vittorio Levi as senior executive vice president for operations. He will be elevated to Nokia Data president at the start of next year.

Mr Kalle Isokallio, who was appointed deputy to the chief executive of the Nokia Group on January 16, will continue until the end of the year as president of Nokia Data.

Mr Levi, 51, was with the Italian Olivetti group for many years, his last position being senior executive vice president of operations from 1984 to 1988. He then joined Mr Carlo de Benedetti's holding company (CIR) developing new initiatives and projects.

Changes at the top at Mitsubishi Trust

MITSUBISHI Trust and Banking, a leading Japanese trust bank and a core member of the Mitsubishi Group, is to appoint Mr Hiroshi Hayashi from deputy president to the post of managing director, succeeding Mr Tokuro Shida.

Mr Shidaichii will become chairman, replacing Mr Tadao Yasui, who will take on the role of senior adviser.

The appointments will be formalised at a board meeting scheduled for March 21.

Mr Hayashi, 59, joined the bank on graduation in 1967 from the University of Tokyo. He has served as general manager of the bank's London branch and as a senior managing director of the corporation.

WESTPAC Banking, the largest Australian bank, appointed Mr Frank J. Conroy to a newly created position of chief operating officer and also as a director of the bank.

Mr Conroy will be responsible to the managing director, Mr S.A. Fowler, for the management of the group's retail, corporate and international banking operations.

Some further appointments related to these activities reporting to Mr Conroy will be confirmed in the near future.

Listed are the latest international bonds for which there is an adequate secondary market.

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change	day	week	Yield	VEN STRAIGHTS	Issued	Bid	Offer	Change	day	week	Yield
STRATEGIES								STRATEGIES							
Austria 9% 95	600	100.100	100.100	-0.01	-0.01	-0.01	3.99	Austria 9% 95	500	99.50	99.50	-0.01	-0.01	-0.01	3.99
Austria 9% 95	140	101.101	101.101	-0.01	-0.01	-0.01	3.98	Austria 5% 93	200	95.50	95.50	-0.01	-0.01	-0.01	6.64
B.F.C.B. 9% 94	175	98.775	98.775	-0.01	-0.01	-0.01	5.28	B.F.C.B. 9% 93	300	95.50	95.50	-0.01	-0.01	-0.01	6.64
B.F.C.B. 9% 94	250	99.500	99.500	-0.02	-0.02	-0.02	5.22	B.I.B. 9% 93	100	92.50	92.50	-0.01	-0.01	-0.01	7.05
Canada 9% 95	1000	99.000	99.000	-0.02	-0.02	-0.02	5.77	Canada 5% 92	50	93.50	93.50	-0.01	-0.01	-0.01	7.10
C.G.C.L. 9% 95	200	99.500	99.500	-0.02	-0.02	-0.02	5.22	World Bank 9% 91	200	100.100	100.100	-0.01	-0.01	-0.01	5.32
Credit Agricole 7% 92	100	98.500	98.500	-0.02	-0.02	-0.02	5.00	World Bank 9% 91	200	100.100	100.100	-0.01	-0.01	-0.01	5.32
Credit Agricole 7% 92	150	100.100	100.100	-0.01	-0.01	-0.01	5.00	World Bank 9% 91	200	100.100	100.100	-0.01	-0.01	-0.01	5.32
E.F.C. 10% 93	140	102.102	102.102	-0.01	-0.01	-0.01	3.18	E.F.C. 10% 93	150	99.50	99.50	-0.01	-0.01	-0.01	3.20
Eurofinances 9% 93	100	101.102	101.102	-0.01	-0.01	-0.01	3.25	Eurofinances 9% 93	100	97.50	97.50	-0.01	-0.01	-0.01	3.25
Elec. De France 5% 93	200	100.100	100.100	-0.01	-0.01	-0.01	3.44	Elec. De France 5% 93	200	90.50	90.50	-0.01	-0.01	-0.01	3.24
Elec. Crédit Card 5% 93	720	97.500	97.500	-0.01	-0.01	-0.01	5.00	Elec. Crédit Card 5% 93	60	98.50	98.50	-0.01	-0.01	-0.01	15.77
Fin. Exp. Cr. 9% 92	200	98.500	98.500	-0.01	-0.01	-0.01	5.25	Fin. Exp. Cr. 9% 92	150	90.50	90.50	-0.01	-0.01	-0.01	12.22
Fin. Exp. Cr. 9% 92	200	98.500	98.500	-0.01	-0.01	-0.01	5.25	Fin. Exp. Cr. 9% 92	150	90.50	90.50	-0.01	-0.01	-0.01	12.22
Fins. Exp. Cr. 9% 92	200	98.500	98.500	-0.01	-0.01	-0.01	5.25	Fins. Exp. Cr. 9% 92	150	90.50	90.50	-0.01	-0.01	-0.01	12.22
Fins. Exp. Cr. 9% 92	200	98.500	98.500	-0.01	-0.01	-0.01	5.25	Fins. Exp. Cr. 9% 92	150	90.50	90.50	-0.01	-0.01	-0.01	12.22
Fins. Exp. Cr. 9% 92	200	98.500	98.500	-0.0											

US-style fixed mortgage market opens in London

By Stephen Fidler, Euromarkets Correspondent

THIS first attempt to open a US-style fixed-rate mortgage securities market in London was launched amid controversy yesterday by Bear Stearns, the US securities house.

The issue for the firm's mortgage subsidiary is the first fixed-rate issue in the UK to be backed by fixed-rate mortgages. Two previous fixed-rate mortgage issues for the Household Mortgage Corporation, the specialist US lender, late in 1988 and early in 1989, financed floating-rate mortgages and carried a spread structure to allow investors a payment-in-arrears on all the issue at maturity.

By contrast, the Bear Stearns issue – for almost \$125m, with a final maturity in 2010, a coupon of 11 per cent and an issue price of 94 – significantly below par because of the rises in yields which have taken place since the most recent were originated.

Barclays de Zoete Wedd, which has the eight-strong underwriting group, said it would remain a solid spread over the 6 per cent UK government bond of 150 basis points for an "appropriate period", which it did not specify.

This provided a pick up of something like 55 basis points over high-rated corporate issues – the reward for the risk of prepayment or looked at another way, the call option being provided by investors to the mortgage borrowers in case interest rates fell.

UK investors are not accustomed to managing the risk of

early repayment that such pass-through structures carry, although the concept is well understood in the US. Some British investors do not like the monthly repayments.

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and an issue price of 94 – significantly below par because of

the rises in yields which have

taken place since the most

recent were originated.

Some followers of the market

said they believed the actual

average yield would be significantly shorter than that, reflecting

the premium over gilts, which yield more in shorter maturities. Their view

was partly based on the expectation that once floating-rate mortgages fell below the fixed rates being charged, mortgage

holders would refinance their

fixed rate mortgages, given

there would be no penalty.

UK investors are not accustomed to managing the risk of

Tokyo and Liffe agree on futures

By Andrew Freeman

THIS London International Financial Futures Exchange and the Tokyo Stock Exchange completed the signing in Tokyo yesterday of a so-called memorandum of understanding outlining the basis for future co-operation over Japanese government bond (JGB) futures contracts.

Liffe will now begin work revising its JGB contract to bring it into line with the TSE's contract, to enable investors to overcome problems caused by differences in existing instruments.

The Liffe contract, launched in July 1987, is settled with cash. The TSE contract allows physical delivery.

Liffe hopes to allow investors to run a single position between the two exchanges and aims to achieve this by attaining "physical delivery and ironing out administrative differences."

Regulation 'plays small role in bank location'

By David Lascalle, Banking Editor

LEVELS of regulation probably play a smaller role than is often thought in influencing where financial institutions locate their operations, according to Sir Peter Cooke, former chairman of the Basic Committee of international banking supervision.

Sir Cooke, who now heads a regulation advisory group at Price Waterhouse, the international accountancy firm, says this is one of the main unexpected findings of a survey published yesterday which was conducted by the firm into banking and securities regulation.

More than half the respondents said they believed the UK regulatory environment for banks was about right, but 68 per cent thought it was restrictive for securities firms.

Banking and securities regulation in Europe: a survey of senior management's views. Price Waterhouse, No 1 London Bridge, London SE1 9QL. Tel: 01-873 7200

international regime has been established for banking, considerable work still needs to be done to improve international co-ordination of securities regulation.

The survey produced a mixed response on whether regulation should be conducted by type of institution or by function, with some respondents favouring one or the other or a combination of both. The survey comments that this finding will not be helpful to regulators who are examining ways of co-ordinating banking and securities regulation at European level.

The survey also found that the UK regulatory environment for banks was about right, but 68 per cent thought it was restrictive for securities firms.

Banking and securities regulation in Europe: a survey of senior management's views. Price Waterhouse, No 1 London Bridge, London SE1 9QL. Tel: 01-873 7200

Bonds buffeted by hectic futures trading

By Andrew Freeman in London and Anatole Kalotsky in New York

THIS German government bond market had a mixed day yesterday, as technical positioning by traders on the futures market led dominated restrained activity on the cash market.

The expiry of the March bond contract led to busy turnover in the June contract

which saw well over 40,000 lots traded. It opened at 80.55, reached a high of 81.16 and then settled around 81.05 towards the close, a gain of around 50 pence.

The perception that the June futures was cheap against the cash market caused many investors to sell bonds and buy the future, pushing bond prices down at the morning fixings. The 7% per cent bond maturing 2000 was fixed at 82.06, down 9 pence to yield 8.68 per cent.

Later in the day, the market turned upwards, rallying around 25 pence across the board as traders reacted to the steady sentiment in the futures

BENCHMARK GOVERNMENT BONDS

	Coupons	Red Date	Price	Change	Yield	Week Ago	Month Ago
UK Gilts	10.000	4/98	91-29	+0.02	12.55	12.57	12.51
	10.000	5/98	90-17	+0.02	12.22	11.69	11.25
	8.000	8/98	88-10	+0.02	11.14	10.74	10.40
US Treasury *	8.500	02/90	88-19	+1.02	8.55	8.45	8.25
JAPAN No 119	4.000	6/90	86.5411	-0.50	7.22	7.04	6.65
	No 2	3/97	80.9857	-0.52	8.86	8.80	8.55
GERMANY	7.125	12/90	88.5800	+0.00	8.85	8.70	7.77
FRANCE STAN	8.000	10/94	90.2315	+0.004	10.77	10.65	10.33
OAT	8.125	5/98	87.4650	+0.030	10.28	10.11	9.71
CANADA *	9.250	12/99	91.2000	-0.009	10.72	10.60	10.40
NETHERLANDS	7.500	11/99	88.5800	-0.010	9.15	8.95	8.41
AUSTRALIA	12.000	7/98	82.3384	+0.001	13.45	13.25	12.88

London closing, * denotes New York morning session. Prices US, UK in 25ths, others in decimal. Technical Data/ATLAS Price Source

Market Data/ATLAS Price Source

Technical Data/ATLAS Price Source

UK COMPANY NEWS

Surge in profits prompts 20p rise in share price to 422p BICC advances 29% to £201m

By Vanessa Houlder

SHARES of BICC, the cable and construction group, yesterday rose 20p to 422p on news of a 29 per cent increase in 1989 pre-tax profits, taking them above the £200m barrier for the first time.

The improvement, from £168m to £201m, was achieved on turnover also up 29 per cent higher at £3.79bn (£2.95bn). Interest charges rose by £12m to £29m.

Sir William Barlow, chairman, said that the momentum of BICC had been sustained. The average growth rate since 1986 has been 27 per cent while group profit margins have increased from 5.3 per cent to 6.1 per cent.

The group's involvement in infrastructure projects of all kinds puts it in a strong position in the US, Europe and the UK in particular, where there was increasing spending on the infrastructure, he added.

The difficult housebuilding and property development markets took their toll on Balfour Beatty, which saw a drop in its profit before interest from £25.3m to £46.1m. However, the company said that it had a record order book, which



Sir William Barlow - the momentum has been sustained

reflected the underlying strength in the business, particularly in power and civil construction and project management and engineering.

BICC Technologies also recorded a drop in profits, with

Profit before interest at BICC Cables increased from £45.2m to £97.4m. Growth was particularly marked in Europe, which benefited from a full year's contribution from its 1988 acquisitions and continuing improvements in its UK businesses.

At North America Cables profit before interest rose from £16.5m to £27.9m.

In Australia, profits inched up from £33m to £33.1m, as a good performance from the cables business was offset by difficulties in the contracting and merchandising sectors.

The Channel Tunnel project had not incurred any losses and the group had made no provisions, the company said. Mr Robin Biggam, chief executive, said the company was "hopeful and optimistic" that the recent talks between Eurotunnel and Transmanche Link would lead to a better working relationship.

Earnings per share increased 21 per cent to 46.3p (£34.4p). The final dividend is raised by 18 per cent to 13.25p, making a full year dividend of 19p (16p).

See Lex

Really Useful investors advised to sell holdings

By Andrew Hill

and Nick Bunker

INDEPENDENT directors of Really Useful Group, the stock market vehicle for Mr Andrew Lloyd Webber's recent musicals, have recommended investors to sell their shares to the composer, after seeing a ground-breaking independent valuation of RUG's chief assets, its copyrights on musicals including Cats and Phantom of the Opera.

Mr Lloyd Webber wants to take the group private and concentrate on film production.

He launched a 233p per share, or £77.4m, bid a month ago, having already won control of 53.5 per cent of the shares.

J Henry Schroder Wag, RUG's investment bankers, commissioned the valuation from its New York affiliate Wertheim Schroder, which has long-standing expertise in valuing US film libraries, including those of MGM/UA, and Orion Pictures, during some of the Hollywood mega-bids of the last 10 years.

The Renaissance in Irish construction coincided with a flatter period for UK building, particularly house-building.

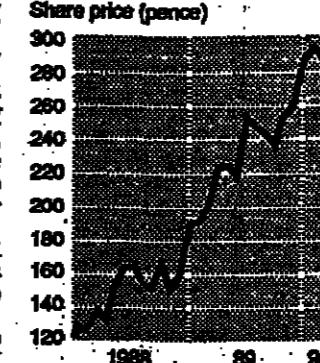
Profits from the UK and Northern Ireland rose by a more sedate 14 per cent to

Building boom in Ireland lifts CRH to £80.57m

By Andrew Taylor, Construction Correspondent

CRH

Share price (pence)



1988 89 90

Ireland
.57m

COMMENT

Two large acquisitions underpin strong growth Ultramar more than doubles to £102.2m

By Steven Butler

ULTRAMAR, the diversified oil and gas group, yesterday reported strong growth in earnings for 1989, with operating profits more than doubling from £46.4m to £102.2m.

The rapid growth was underpinned by two large acquisitions completed in late 1988, resulting in higher oil and gas production and greater refinery throughput, as well as by higher oil and gas prices.

Sales revenues rose by 2680.6m to £1.76bn. Earnings per share were up from 19.1p to 27.3p. The final dividend is raised to a proposed 6p (5p) for a total of 9p (7.5p) — an advance of 20 per cent.

The shares closed 50 down at 364p.

Oil production rose 5 per cent to a record 204,800 barrels per day of oil and oil equivalent, of which 28,000 b/d were liquids. The Indonesian part of the business sold 147 cargoes of liquefied natural gas (LNG), an increase of two from the previous year.

North Sea production reached 12,900 b/d last year, and is expected to increase again this year as the Raven spur North sea field starts production in October.

Throughput at the Quebec refinery was restrained by maintenance and upgrading work last year, and fell to 94,500 (101,700) b/d.

However, the overall output rose 8 per cent to 124,500 b/d and profits at the Eastern Canada operation rose from \$28.5m to \$31.5m, including \$2m gain.

The US downstream operation in California also showed strong gains with the Willington refinery, acquired in late 1988, contributing for a full year for the first time. Profits rose from \$2.7m to \$4.5m. Mr John Darby, chairman, said



Jean Gaulin (left), chief executive, and John Darby, chairman

margins at the refinery were higher than assumptions used at the time of the acquisition.

Mr Darby said that while group results would continue to be affected by unpredictable exchange rate and oil price movements, he expected the underlying business to continue to improve this year.

Group gearing fell by five percentage points to 73% per cent at the end of the year.

Mr David Elton, finance director, said gearing would have been 3 points lower had the sale of certain Canadian oil and gas interests for \$37m been completed by the year-end instead of in January.

COMMENT

Ultramar shares again look less interesting now that all the predators seem to have gone away — there are not even any declarable stakes.

This awful event, of course, did not cause a collapse of this share price, and yesterday's results show why. The 1988 acquisitions, that depressed Ultramar's share price, have all turned out far better than anyone gave them credit for at the time, and 1989 will continue to see the benefits of those deals, plus additional earnings from the new Indonesian LNG plant.

With profits this year expected at about £130m, leading to a prospective p/e of 11, the shares look fairly valued at just above the market average.

But watch out later this month when bids are opened up for the Huntington minority interest in Ultramar's Indonesian joint venture. If they fall much below inflated expectations of 51p, Ultramar could be the loser.

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Fairey jumps 43% to £12.53m

By Vanessa Houlder

FAIREY GROUP, the specialist engineering company, yesterday announced that it had raised pre-tax profits by 43 per cent from £8.7m to £12.53m in 1989, its first full year on the stock market.

The company considered that the results merited a higher final dividend than expected at the time of flotation in November 1988 and recommended a final dividend of 4.5p, making a total of 7.4p.

Mr Derek Kingsbury, chairman and chief executive, said the group faced 1990 with confidence, although it was conscious of the potential impact of inflation and interest rates on industry in general.

About half the profit came from overseas and much of Fairey's UK business was counter-cyclical in that it was

linked to civil aerospace and the national grid refurbishment programme, he said.

A 24 per cent rise in operating profits reflected strong performances from the electronics and electrical power, and filtration and specialist plant division, offset by lower profits at the aerospace and defence division.

Profits at this division fell from £1.62m to £1.66m,

reflecting restructuring costs and declining work for the Tornado aircraft. The division closed a factory and reorganised its management team as it attempted to address a wider range of defence markets.

Mr Kingsbury said the restructuring was now behind it.

Although it was premature to comment on how changing defence requirements would

affect the business, "we are broadly enough based that we do not see ourselves as being particularly vulnerable," he said.

Profits at the electronics and electrical power division rose from £4.1m to £4.25m on turnover of £20.57m (£27.04m), due in particular to growing performance from Red Lion Controls.

The filtration and specialist ceramics business increased its profits from £2.6m to £4.3m fuelled particularly by demand for ceramic cores for gas turbine blades and filtration systems.

There was positive cash flow of £7.8m, which left the group with funds of £2.6m.

Interest receivable was £520,000, compared with last year's charge of £1.75m. Earnings per share increased from 17.5p to 24.7p.

"Another year of record trading for the Group. Despite the constraints enforced by the general economic conditions in which we operate, I expect the company to continue to perform well, and to move ahead strongly when interest rates fall."

Ralph Hinchliffe, Chairman

7 March, 1990

Results — Full Year 1989

	1989	1988
Turnover	£306m	£282m
Pre-tax profit	£31.0m	£30.3m
Earnings per share	32.8p	32.7p
Dividend	12.5p	11.5p



GLASS, ALUMINIUM AND PLASTIC SPECIALISTS

Copies of the report and accounts are available from the Secretary, Heywood Williams Group PLC, Waverley, Edgerton Road, Huddersfield, West Yorkshire, HD3 3AR.

UK COMPANY NEWS

Staff merger helps Daily Telegraph to 42% rise

By David Churchill,
Leisure Industries Correspondent

THE DAILY TELEGRAPH, the privately-owned newspaper group headed by Canadian Mr Conrad Black, yesterday announced a 42.1 per cent increase in pre-tax profits for the year ending December 31 1989 to reach a record total of £41.8m.

Turnover rose by 11.4 per cent from £210m to £234m.

The improved financial performance was helped by the merger of the staff of the Daily Telegraph with those of the Sunday Telegraph.

Mr Black said that "six days of the week our circulation is almost triple that of our nearest competitor," and claimed that the Daily Telegraph's Saturday edition "seems about to equal or surpass the Sunday Times and become Britain's largest selling quality title."

Mr Black added that the Sunday Telegraph was apparently about to emerge as a strong second in the field of five, having started third in a field of three.

Earlier this year the company was involved in a public dispute with Mr Andrew Knight, its former chief executive, who accepted the post of executive chairman with News International.

Earnings per share rose from 22.5p to 30.7p.

A final dividend of 4p is proposed, making a total for the year of 32p, including a once-for-all special dividend of 24p arising out of the company's sales of its shares in Reuters Holdings.

Eagle Trust to sue seven former directors

By John Thornhill

EAGLE TRUST, the mini-conglomerate at the centre of a Serious Fraud Office investigation, has issued a High Court Writ against seven of the company's former directors seeking damages for breach of duty and trust.

Eagle Trust said that it was suing the seven directors over several matters but in particular in connection with the company's involvement in Eagle Express, a parcel delivery subsidiary, and LaForza, a car manufacturing venture.

Eagle Express was put into liquidation last July after incurring losses of £35m, while LaForza was sold for a nominal sum of £1 last month.

All seven directors were on the board of Eagle Trust at the time of the release of its 1987 annual report and accounts.

One of the claims that will be made in the action relates to the payment of allegedly unlawful dividends following the directors' approval of this

report. This latest legal move follows less than two weeks after Eagle Trust announced that it was suing Swiss Bank Corporation for £13.5m in connection with sub-underwriting commitments made in 1987 to fund the purchase of Samuelson, a film and television services company.

SBC has said that it would vigorously contest the writ.

Mr David James, Eagle Trust's current chairman, said yesterday that the company was considering launching further legal actions in the next few months.

Eagle Trust will today publish its long-delayed annual report for 1988 which is expected to shed more light on the problems relating to the company's losses of £84m.

First Technology may return with £26m bid for Ricardo

By Nikki Tait

THE BATTLE over the future of Ricardo, the Sussex-based engines and transmission designer, intensified yesterday as former predator First Technology offered to make a new all-share bid.

This set up an alternative to the recommended merger between Ricardo and SAC International, a Bristol-based engineering services group.

The master will come to a head at Monday's agm, when Ricardo shareholders are being asked to approve the proposed all-share acquisition of SAC.

First Technology confirmed yesterday it will vote against this deal. If the resolution is defeated, it said it will repeat its counter-proposal, a paper bid worth 180p per share, to Ricardo.

It hung on to a 14.9 per cent stake in Ricardo in the wake of an unsuccessful £23m bid just under a year ago. That won acceptance from holders of only 41 per cent of the shares, offering either 145.26p in cash

or 20 First Technology shares for every 57 Ricardo.

First Technology, which would see its share stake diluted to only 7 per cent if the SAC-Ricardo deal goes through, made its opposition to the merger public last week.

Yesterday, it repeated criticism that SAC and Ricardo have "different businesses with different customer bases", claiming that it was essentially a "reverse takeover of Ricardo by a weaker company at no premium".

Dr Fred Westlake, chairman, said his new bid proposal was first put to Ricardo and its advisers on Tuesday evening, with the pre-condition that Ricardo recommended the deal. By noon yesterday, it had been firmly rejected.

Explaining its decision, Ricardo noted the "resounding rejection" of First Technology's bid last year, and said that an offer at 180p fell short of the necessary premium for control. It claimed again that

the merger with SAC would create a larger, stronger group better able to respond to the demands of its changing market-place.

In practice, Monday's decision is likely to rest with about half a dozen institutions, which have stakes around the 45 per cent level.

First Technology shares ended 5p to 180p, while Ricardo gained 18p at 183p, and SAC at 155p.

Lawtex in the red

Lawtex, the Oldham-based umbrella, leisurewear and babywear maker, slipped £23.000 into the red in the half year ended December 31 1989. In the comparable period, profits were £218,000.

Turnover fell to £8.1m (2.2p (5.3p earnings). There was no dividend (0.5p).

Braithwaite warns of second half downturn

By David Owen

Braithwaite, the industrial services group whose chief executive, Mr Andrew Elton, last year headed a consortium which briefly planned to invest in Eagle Trust, yesterday warned shareholders that second half profits were likely to be considerably below first half levels.

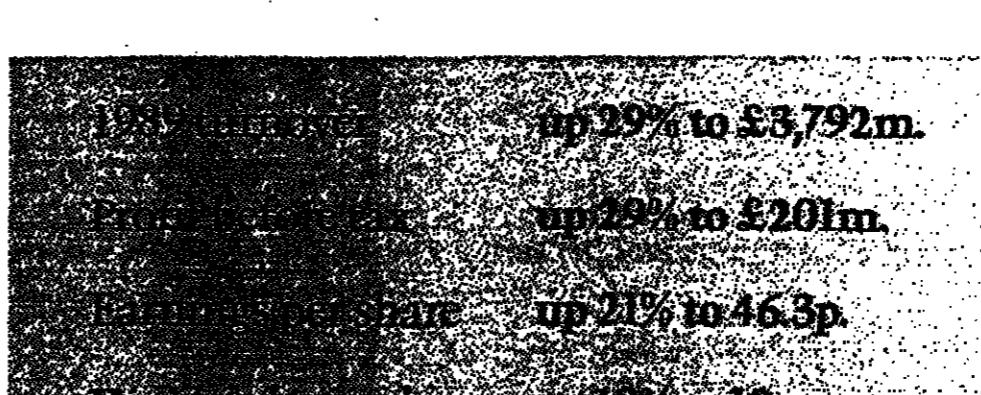
The company blamed "unusually mild" winter weather for the setback. As a result, "the expected seasonal contribution" from Andrews Sykes, the specialist equipment hire and distribution unit would be sharply lower.

According to Mr Stuart Ross, finance director, the group's heating business "has not been as good as budgeted or reasonably expected" owing to the mild weather.

In the six months to September 30, pre-tax profits rose 44 per cent to £2.62m on turnover of £33.2m, in spite of higher interest charges. Profits for the year ended March 31 1989 totalled £5.53m on turnover of £59.3m.

BICC DELIVERING CONTINUOUS EARNINGS GROWTH.

The BICC Group's excellent record of earnings growth continued in 1989. For the third year in succession, earnings per share have risen by more than 20% and now stand at more than double the level of 1986.



BICC Group
Engineering Tomorrow's World

UK COMPANY NEWS

Cowie braked by interest charges

By Jane Fuller

T COWIE, the motor dealer and fleet operator, saw pre-tax profits for 1989 cut to £16.11m (£13.57m) on turnover ahead to £181.65m (£145.47m). Mr Cowie said it had also suffered from rivals bidding for fleet contracts at "suicidal rates." But prices had since come "more into line with ours."

More than half of group turnover came from motor dealerships in a year of record sales. Cowie holds 16 franchises including four each for Ford and General Motors.

With profits in the division falling from £5.4m to £5.15m, margins were down from 2.5 per cent to 1.8 per cent. Mr Cowie said conditions continued to be difficult because new car sales were likely to fall from 2.3m to little more than 2m in the current year.

The company had closed three dealerships which he said would have been difficult

to bring up to the standard required by the vehicle manufacturers.

But that was only pruning compared with the "major surgery" in the short-term rental wing, where disposing of part of the commercial vehicle fleet and halving the number of staff had cost more than £2m. The division registered a loss of £3.15m.

While the agricultural division turned in a modest £241.000 profit, brighter spots were the trebling of the contribution from the Hughes DAB bus and coach distributor to £2.18m and a near-doubling on property to £1.26m.

Fully diluted earnings per share fell to 10.87p (15.51p). A proposed final dividend of 3p makes a total of 4.2p (5.2p) for the year.

• COMMENT

Cowie's debt of £219m makes starkly clear its vulnerability to interest rates, with this year set to be significantly worse than last. So with several million likely to be added there, the question is: what can be counted back in? Well, the £3m short-term rental loss was a one-off, as were dealership closure costs. And the underlying performance should improve because of more contract hire business at better rates and because the fall in used car values seems to have bottomed out. But these swings and roundabouts leave a wide range of profit forecasts, from £1.2m to £1.8m with a prospective p/e of 4.5 to 6.5. Those tempted to take a gamble can cite a prospective yield of more than 10 per cent, the prospect of falling interest rates and Mr Cowie's lack of aversion to listening to a bidder.

Three-quarters of the £37.57m (£22.32m) interest bill fell on the finance division which includes the contract hire of 51,600 vehicles. Bought with borrowed money, they are supplied at a fixed rent for two or three years.

Mr Tom Cowie, chairman, said: "We suffer as interest rates go up, but once they come down you have the business that you pulled in at the higher level." He estimated that every 1 per cent fall in the interest rate would put £2.2m on the company's bottom line.

Strike costs Mersey Docks £3.4m

By Ian Hamilton Fazey, Northern Correspondent

THE NATIONAL dock strike last summer cost the Mersey Docks and Harbour Company £2.4m, reducing taxable profits for 1989 to £4.94m.

Announcing preliminary results yesterday, the company said operating profit was up almost 19 per cent to £28.94m on reduced turnover of £53.7m (£55.2m). Before the exceptional charge, the pre-tax figure was up 28 per cent on the

£6.5m of 1988.

In spite of losing turnover of £4.5m through the strike and the diversion of ships to the French, Dutch and West German ports in the run-up to it, Liverpool still handled a record 20.3m tonnes of cargo.

The strike followed the Government's decision to abolish the National Dock Labour Scheme, which guaranteed dockers' jobs by forbidding

compulsory redundancy. Mersey men were first out and last back in the four-week dispute, but 300 agreed redundancy terms soon afterwards. The company now employs 600 workers using modern stevedoring technology, compared with 4,000 in 1980.

Severance costs of £10.7m have been treated as an extraordinary item. This was reduced by £1.5m through the

write-off of a Government loan, so that when the dividend of £2.5m is added, the accounts show a retained loss for year of nearly £6.8m, almost balancing £5.5m profit in 1988.

The final dividend is 4.15p, making 4.15p for the year from earnings of £2.25p (10.73p). The dividends are the first since the Government rescued the business from financial collapse 20 years ago and follow the capital reconstruction last May, when the Government wrote off £111.5m of debts.

Directors said the significant changes of 1989 would have a positive effect on productivity and trade, so that the 1990s could be faced with confidence. Property development of redundant dockland continued with P&O and Barratt.

The Government remains the biggest shareholder with 20.6 per cent. It intends to sell the stake, but not until the DTI completes inquiries into dealings in some of the shares associated with Mr David Abel, a former deputy chairman.

See Observer

Hartwell attacks Jameel's 'gimmick' loan note facility

By John Thornhill

THE STRUGGLE for control of Hartwell intensified further yesterday as the Oxford-based motor group criticised the company's shareholders for "a gimmick" to raise cash.

Jameel Group's latest offer document.

The Saudi Arabian Jameel Group, which is bidding £17.24m for Hartwell, has offered the company's shareholders a special facility to enable them to exchange their shares for loan notes equivalent to the 15p per share cash offer.

This, Jameel claimed, would allow shareholders to mitigate any capital gains tax liability.

But Hartwell yesterday dismissed the special facility as "a gimmick which smacks of desperation." It claimed that the loan notes would not be listed and would carry interest at 1 per cent less than LIBOR.

It added that the loan notes could not be redeemed before 1992 and offered little opportunity for capital gains tax mitigation. Jameel contested these claims.

The takeover battle has been

marked by increasing hostility between the two sides and looks set to be a close-run struggle. Jameel speaks for about 34 per cent of Hartwell's shares and 53.3 per cent of its convertible preference shares. Its offer closes next Monday.

The intriguing possibility emerges that Jameel might not succeed in winning outright control of over 50 per cent of Hartwell's ordinary shares but could effectively win deferred control of the company.

Jameel has already declared its offer for Hartwell's convertible shares unconditional and the conversion of these shares in 1992 could push Jameel's holding of Hartwell's ordinary shares above the 50 per cent level.

In this hypothetical event, it is likely that Jameel would be required to make a renewed offer for the remaining ordinary shares in the company.

Hartwell's shares were unchanged at 15p yesterday, marginally above the 15p the Jameel offer is worth.

Downturn to £51,000 at Electronic Machine

ELECTRONIC Machine Company, which is rationalising into a business services group, announced pre-tax profits of £21.000 for the year to 30 September 1989.

The outcome - which showed a decline from £68,000 last time - came on turnover of £2.39m (£2.66m).

Continuing businesses contributed sales of £1.94m (£1.58m) and trading profits of £122,000 (£97,000). Earnings fell to 4.00p (1.67p), but the dividend is maintained at 1p, the final being 0.7p.

Last August management changes saw Mr Jeffrey Gould become chairman, Mr Michael Woolley chief executive, and Mr Jeremy Smilg finance director.

After the purchase of a 20 per cent interest in EMC by a company controlled by Mr Gould and Mr Smilg.

Mr Gould said the rental and storage sectors in particular had been identified as potential profitable extensions of the group's activities, particularly as it would become increasingly difficult to achieve satisfactory growth from the previous reliance on the defence industry market.

The next accounts of the company, which intends to change its name to EMC Group, will run to March 31, 1991. The listing will remain suspended until after the shareholders' meeting on March 29.

NEWS DIGEST

\$12.5m buy for Life Sciences

LIFE SCIENCES International, the expanding scientific instrument manufacturer, is returning to the acquisition trail in the US through the purchase of International Equipment Company for £12.5m (£7.6m) cash.

Consideration for IEC, a Boston, Massachusetts-based manufacturer of low-speed centrifuges, is conditional on shareholders' approval and will be funded from the proceeds of a rights issue of 33.5m shares on a basis of 1-for-3 at 80p per share, raising a net £3.8m.

Mr Christopher Bland, chairman, said that as well as securing finance for the acquisition, the rights issue would eliminate net borrowings and provide the ability to exploit future acquisition opportunities.

The announcement was accompanied by the group's 1989 results which showed a 47 per cent increase to £9.05m (£6.13m) in pre-tax profits, achieved on turnover ahead 24 per cent from £24.55m to £30.55m.

Mr Bland said that the return on sales improved to 16.7 per cent, reflecting improvements at the Shandon office and the inclusion of Savant, acquired in December 1988, for a full year.

Earnings per 10p share rose to 6.5p (4.1p) and the recommended final dividend is raised to 1.5p (1.1p) for a total of 2.3p (1.6p).

Sutton Water rises 57% to £308,000

In its last year as a statutory company Sutton District Water achieved a 57 per cent improvement in pre-tax profits from £196,000 to £308,000.

This increase for 1989 was in spite of a £778,000 (£258,000) exceptional charge which included £271,000 for costs incurred in negotiations with the Department of the Environment and the conversion to plc status as well as £277,000 for backlog depreciation of mains pipes.

Mr Andrew Kennedy, the chairman, said that until April 1 1990 the company was restricted as to the amount of dividends it could pay.

Turnover rose 24 per cent to £7.83m (£6.32m). Tax was little changed at 57,000 (£45,000).

Metal Bulletin ahead to £1.4m

Profits from Metal Bulletin in 1989 rose from £1.3m to £1.41m on turnover up from £9.21m to £11.97m. The USM quoted company is engaged in international business publishing.

Tax took £518,000 (£247,700) and there was an extraordinary debit of £21,800 (nil). Earnings per 10p share came through at 10.1p (9.7p).

The final dividend is raised to 3.9p, making 6p (5.3p).

Small decline at Singapore Rubber

Profits fell slightly at Singapore Para Rubber Estates in 1989. The taxable result declined from £564,042 to £518,184, on turnover down from £2.678,000 to £2.663,388.

Operating profit fell to £229,606 (£483,021), but income from fixed asset investments rose to £1.15m (£1.15m) and interest receivable put in £24,242 (£25,842). After tax of £108,000 (£224,700), earnings per stock unit rose from 3.04p to 3.4p. The dividend is unchanged at 1.5p for the year.

Turnover came to £1.48m (£1.18m) after which there was a gross loss of £22,000 (£23,000 profit). Earnings per share came through at 3p (3.5p).

Westminster & Country downturn

A downturn at Westminster & Country Properties in the six months to October 31 saw pre-tax profits fall from £231,000 to £86,000. This followed full-year results from the property investor which were nearly trebled from £1.01m to £3m.

The interim dividend is halved to 1p.

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Coin expert rejects Japanese forgery claim

By Kenneth Gooding, Mining Correspondent

JAPANESE POLICE investigating what they believe is the biggest counterfeit case in their country's history - involving gold coins worth \$7m - are wasting their time because all the coins are genuine, said Mr Paul Davies yesterday. He is the well-known UK coin dealer who is a central figure in the case.

Mr Davies said independent exhaustive tests commissioned by himself and the Union Bank of Switzerland into the authenticity of two coins from the same batch as those the Japanese say are forged showed the coins to be genuine.

He challenged the Japanese police to allow the same tests to be carried out on some of the 100,000 alleged counterfeit coins they said had been identified.

He challenged the Japanese authorities to produce evidence that counterfeiters really existed. He asked why the Japanese had not followed normal procedure in the numismatic world and provided details to enable holders to establish whether their coins were genuine.

Mr Davies suggested that the Japanese police were continuing their inquiries in Switzerland and London, even though they had no evidence that there were counterfeit coins, because the Japanese authorities wanted to find out how and why so many of the coins had found their way overseas without showing up in the off-

Rice thrives as Marxism takes a back seat

Roger Matthews on a triumph for free market economics in Vietnam's paddy fields

A TRIUMPH of the free market economy over the centrally-planned Marxist version is being quietly celebrated in Vietnam.

Quietly, because the official party line in Hanoi is that while fraternal comrades in the Soviet Union and Eastern Europe may be having little local difficulties, they will soon regain their former pre-eminence and resume the march towards the fulfilment of the socialist revolution. Political pluralism is not on the agenda in Vietnam.

The suspect coins are said to be of the purity (99.99 per cent), exactly the same size and weight and to the naked eye to be indistinguishable from the genuine variety.

The incentive for any counterfeiter is that the Bank of Japan promises to redeem each coin for Yen100,000 whereas the gold content is worth only about half that.

Mr Davies pointed out yesterday that the Japanese authorities should consider whether, any counterfeiter who could first have had to buy gold for about \$40m cash, have it re-refined at one of only three or four refineries in the world capable of producing such pure gold, and spend about \$10m on equipment to reproduce the quality and quantity of coins alleged to have been forged.

"And they would have had to do all this in the hope that they could pass more than 100,000 coins over bank counters in Japan without them being recognised as fakes."

Mr Ernest Newman, a former chief metallurgist at the Royal Mint, found that the tiny traces of other materials apart from gold were the same in the alleged fakes as in the genuine coins.

EC Commission proposes beef import ceilings

By Tim Dickson in Brussels

THE EUROPEAN Commission yesterday reconciled the competing claims of Eastern Europe and its own powerful farm lobby by agreeing new ceilings for beef imports to the EC.

Its proposals, which have yet to be endorsed by member states in the Council of Ministers, were complicated this year by the need to make a political gesture to those emerging eastern democracies affected by the new arrangements.

The planned quota of 212,500 head of young male animals of less than 300 kg, for example, is understood to be a little higher than the figure proposed by Mr Raymond MacSharry, the EC's Agriculture Commissioner, though it is still tiny in comparison with the 14m or so young male animals produced inside the EC.

Over the last 10 years this quota has ranged from a maximum of 237,000 head down to 164,000 head depending on expected levels of consumption and production in the EC. A Commission official pointed out last night that Brussels also had to be careful not to "disturb the trade" and yet at the same time carry out its international obligations.

Under the terms of this year's proposal animals from Poland and Yugoslavia will have their import levy reduced by 70 per cent and those from Romania and Hungary by 50 per cent.

The other area affected by yesterday's Commission decision is processing meat, with the Brussels executive opting for a limit of 52,500 tonnes to include products containing only beef and products containing other meats. The countries affected by this quota are Australia, New Zealand, Uruguay, Hungary and Romania.

At least two seamen have died in the storms and the authorities have had to police to break up constant dockside protests. The Spanish Government is also making it impossible for families and supporters to ferry food out to the blocking trawlers.

Although the protesters allowed one passenger ferry to leave Algeciras for the Spanish African enclave of Ceuta on Tuesday, and another one in from Ceuta, about 3,000 people are said to have been trapped on either side of the Straits of Gibraltar by the dispute.

European Commission officials said yesterday that Morocco would probably agree to hold an extraordinary meeting of the commission, which held its annual routine meeting at the end of January. It is,

however, highly unlikely that this commission would be able to contribute much to softening the dispute as the fishing pact, negotiated in February 1988, does not cover punishment for illegal fishing.

The Moroccans did follow the letter of the agreement by warning the Community in mid-January that the new lines - up to 500 fm depending on the size of the offending trawler - would come into effect in two months and solving the problem created by the blockade will probably have to be done bilaterally between Madrid and Rabat.

That is tricky for the Spanish Government. There are important regional Government election in Andalucia -

where all the affected ports are

- this summer, and the Government will be hard put not to offend the Andalucian coast's most important industry. On the other hand, Spain is very keen to become Morocco's main ally in Europe, a role it has, until recently, largely surrendered to France.

The Spanish fishermen are demanding the renegotiation of the fishing pact and the suspension of fish imports from Morocco and their blockade, from which appears to be winning popular support. About 700 Spanish trawlers fish off Morocco but Rabat claims that increasing numbers have been doing so illegally since the fishing pact was struck. The new lines replace a regime last imposed in 1973.

MARKET REPORT

GOLD slipped to \$400 a troy ounce on the London bullion market yesterday, and the spot month on Comex touched \$399 before mid-session. Mr Robert Weinberg, precious metals analyst at Janes Capel, said London's fall had caused "a little confusion and panic". In the market but gold had been expected to retrace some of its recent gains and was still in a bull market. "It would be unprecedented for gold to go from a bear to a bull market and back again in four months." On the LME cash lead closed \$205.50 a tonne, the highest level for more than 10 years. Traders said the move continued to reflect the

extreme supply tightness developing for LME mid-March deliveries against a background of very low stocks. The tightness reflects the eight-month closure of an 84,000-tonnes-a-year Nuova Samini smelter in Sardinia and other smaller mine and smelter problems over the past few months. Zinc was also boosted by tight supplies - some chartists say the break through \$1.51 for three-month special high grade reflects the start of a new bull market. London coffee prices again advanced on concern over possible disruption to Ivoirian supplies.

Compiled from Reuters

London Markets

SPOT MARKETS

Gold (1/20th barrel FOB)	+ or -
Dubai	\$167.75-80 .05
Brent Blend	\$164.90-94 .775
WTI (1 pt east)	\$210.50-102 .30

Oil products

(NME prompt delivery per tonne CIF)	+ or -
Premium Gasoline	\$215-218
Gas Oil	167-168 -3
Heavy Fuel Oil	357-368
Naphtha	\$176-177 -1

Petroleum Arrows Estimates

Other

Gold (per Troy oz) \$400.00 +.75

Silver (per Troy oz) \$14.00 +.05

Platinum (per Troy oz) \$508.65 +.15

Palladium (per Troy oz) \$722.50 +.60

Aluminum (free market) \$100.00 -45

Copper (US produced) \$255-257 +.52

Lead (US produced) 46.2c +2

Nickel (free market) 40c +.05

Tin (Kuala Lumpur market) 250c +.08

Tin (New York) 250c +.2

Zinc (US Prime Western) 70c +.05

Cattle (live weight) 110.4c -

Sheep (dead weight) 210.2c -

Pig (live weight) 90.0c -

London daily sugar (raw) \$392.2c +.20

London daily sugar (white) \$451.0c +.15

Tea and Lychee export price 250c +.03

Barley (English feed) 110.6c -

Molasses (US No. 3 yellow) \$127.5c +.05

Wheat (US Dark Northern) 121c -

Rubber (Apr) 99 -.02 -

Rubber (May) 97.25c +.05

Rubber (NL RRS No 1 Mar) 232.5c +1.0

Coconut oil (Philippines) 4.02c/l +.25

Palm Oil (Malaysia) 320.0c/l +.75

Copra (Philippines) 5.50c/l +.50

Soybeans (US) 116.5c/l +.15

Cotton "A" Index 70.50c/l +.05

Wool (US Super) 300c/l

£ a tonne unless otherwise stated. p-passing, c-centrifuge, n-nitrogen, q-Fab/Mar, b-bull/Ber, w-wester, z-zeta, m-month, s-average, a-average, l-latest price, d-change from a week ago, g-Goldman Sachs market, S-Citibank, B-Button market close, m-Malaysian cents/kg.

COCOA - London FOX

Close Previous High/Low

Mar 687 684 701 694

Apr 705 702 715 699

Jul 718 727 728 717

Sep 734 742 745 731

Dec 765 783 785 765

May 783 795 798 782

Turnover: 5084 (7574) lots of 10 tonnes

ICCO Indicator prices (\$/tonne per tonnes, Daily average for Mar 8 \$242.45 (\$16.05)

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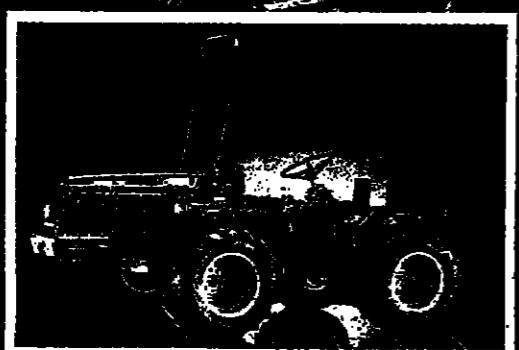
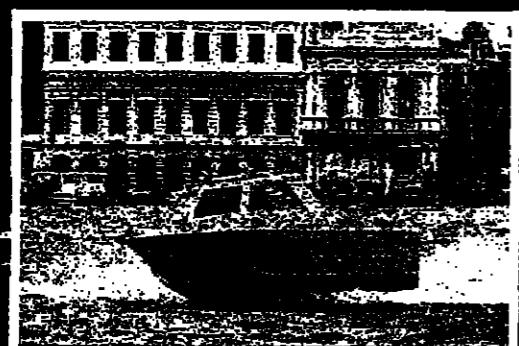
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ICCO Indicator prices (\$

VM Motori
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LONDON STOCK EXCHANGE

Cautious bargain-hunting in equities

THE UK stock market staged a mild recovery yesterday from the sharp setback suffered earlier in the week, helped by some cautious bargain-hunting from the big investment institutions and by a rally in UK Government bonds. The political uncertainties seemed off by the 'success' of Britain's Labour opposition party in the public opinion polls continued, and sterling gave ground again. But the technical rally from a Footsie support area was encouraged by a forecast from UBS Phillips & Drew that the FT-Six could reach 2,600 by mid-year.

The overnight news from other world markets was

Accident Deaths Dates		
Feb 20	Mar 12	Mar 20
March 1	Mar 22	Apr 6
March 2	Mar 26	Apr 6
March 3	Mar 26	Apr 6
March 4	Mar 27	Apr 7
March 5	Mar 28	Apr 8
March 6	Mar 29	Apr 9
March 7	Mar 30	Apr 10
March 8	Mar 31	Apr 11
March 9	Mar 31	Apr 12
March 10	Mar 31	Apr 13
March 11	Mar 31	Apr 14
March 12	Mar 31	Apr 15
March 13	Mar 31	Apr 16
March 14	Mar 31	Apr 17

These dates may take place from 100 am local time.

tracks were well-covered, the programme was believed to involve a £50m cash way operation, with the buy side visible yesterday.

The disclosure that Phillips & Drew had joined BZW and County NatWest in predicting a rise in the Footsie this year and was also prophesying better news on inflation and base rates by the end of the year, was favourable news for the market.

Good profits news from leading UK companies, including GKN and BAC, and corporate deals from British Gas and Tate & Lyle all kept equities firm and best in early afternoon, the FT-Six Index was

nearly 15 points ahead. Only the subdued level of market turnover took the shine of the day's performance. Seed volume of 415.2m shares compared with 400.7m on Tuesday, again reflecting a good deal of inter-dealer business; traders admitted that retail or customer business showed only a slight improvement.

UK equities slowed down when Wall Street took an uncertain start to the new session, and the final reading showed the FT-Six Index at 2,230.3, a net gain of 14.3 points.

Anatole Kalatzky writes from New York: Salomon Brothers yesterday issued here

the first long-term put warrant on the FTSE-100 Index, giving investors a three-year opportunity to bet against the London stockmarket. The warrants, which were in heavy demand, gave holders the right to a cash payment equal to one per cent of the fall in the FT-Six below yesterday's mid-afternoon level of 2,232.7. The warrants were issued at \$3.30 and rose to \$3.68 in heavy trading on the American Stock Exchange. Salomon said plans for a companion issue of call warrants, which would have allowed speculators to benefit from a rise in the London stockmarket, had been shelved because of lack of demand.

mixed, but US buying of UK blue chips brought a firm opening, and London was about 11 Footsie points ahead before the first official calculation of the FT-Six Index. But there was little follow-through, and shares were drifting until traders sensed the trace of a dealing programme. Although its

overnight news from other world markets was

Ultramar slips on results

Ultramar slipped against the market trend after posting full-year profits of \$127.3m, above the middle of the range of market forecasts.

Researchers were divided in their interpretation of the numbers. Mr Alan Thomas of Kitcat & Aitken said the analysts' presentation was "upbeat" and recommended investors to "accumulate the stock over the next few weeks" although the sector as a whole would be weak, he believed. Ms Irene Simons at Hoare Govett took a more cautious line. She said that although the 20 per cent dividend rise was good, profits were only up 8 per cent, when stock gains were stripped out. She rated the stock a weak hold, in line with the rest of the sector.

A third analyst said the question was whether Ultramar should be valued in terms of its revenues, in which case it was expensive, or its assets. The asset play depended on the outcome of the offer for sale of a 20 per cent stake in the Huntington liquefied natural gas plant in Indonesia by one of the plant's owners. If this were to achieve around \$1bn, said the analyst, then Ultramar, which also has a stake, would command a break-up valuation of more than 24 a share.

Ultramar eased 4 to 36¢ in profit-taking, not helped by British Gas' Canadian acquisition which dispelled any lingering hopes of a bid for Ultramar.

GKN pleases

A larger than expected dividend was a bonus for shareholders and a surprise to most analysts as GKN reported full-year profits in line with market forecasts early yesterday. The company has recommended a 12.5p final dividend, making a total of 20p (12p) an increase of 17.5 per cent following a rise in profits of 11 per cent to \$214.5m. The shares extended their recent good run to finish 7 higher at 38¢ after a healthy turnover of 3.1m.

Mr John Goldschmidt at Charterhouse Tilney said the GKN results were "satisfactory in a year which got progressively more difficult particularly in the fourth quarter." He is predicting 1990 profits of \$230m and \$260m in 1991. However, Mr Chris Avery at Smith New Court took a more cautious view. He expects a "full share performance over the next few months as US and UK car markets remain weak."

NatWest came under early pressure following speculation that it had lost 210m developing a branch record computer system with Logica, the computer consultancy. NatWest was up 7 at 45p, while Hargreaves lost 4 at 30p. A change in recommendation on the merchant banking sector by County NatWest also depressed prices. County had 20.5m shares available for sale at the end of 1989. Mr Robert Sisson at County NatWest said "the shares are undervalued given the position the company has in rapidly growing markets such as ceramic cores, water filters and the electrical insulation market." He forecast 1990 profits of \$14.5m, and 16.6m in 1991.

HRC gained 20 to 42p in a brisk trade of 2.8m shares, responding to a pleasing preliminary statement which

followed by another today at UBS Phillips & Drew in London.

The brewing sector picked up when Danish brewer Carlsberg said it might buy a UK brewery. It said it was in talks with three or four of Britain's biggest breweries.

Dealers and analysts picked on Grand Metropolitan as the most likely target, largely because it has an agreement with Carlsberg which runs out in 1991. Grandmet climbed 10 to 56p. Scottish and Newcastle and Bass were also mentioned as possibilities. They rose 12 to 30p and 9 to 26p respectively.

Whitbread's "A" shares advanced 10 at 37p on what any such acquisition placed on its assets. Allied Lyons also did well adding 11 to 43p; the company hosted a presentation on its food businesses yesterday. Only Guinness with no appropriate UK breweries, seemed left out. The shares shed a penny to 62p.

Rolls-Royce saw buyers early in the session on the news that Boeing had increased its long-term forecast for the commercial jetliner market between now and the year 2005. Rolls-Royce supplies engines to Boeing. The shares advanced 4 to 17p on turnover of 2.7m shares.

Buying ahead of the figures on Friday helped TI firm 5 to 43p. Shares in Ricardo Group, the Sussex-based engines and transmissions designer, jumped 23 to 160p but eventually came off the top to close 15 up at 155p, as the company rejected another approach from First Technology, which unsuccessfully bid for the company in 1989.

Braithwaite dived 11p to 15p as the company warned of a profits shortfall owing to the unusually mild winter. This has affected the contribution

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (PEN) AMERICANS (1) AUTOMOTIVE (2) BUSINESS SERVICES (3) CONSTRUCTION (4) INDUSTRIALS (5) MINING (6) PETROLEUM (7) FINANCIALS (8) TELECOMS (9) TELEGRAPHIC (10) TRANSPORT (11) TRADES (12) TEXTILES (13) TRANSPORT (14) TRADES (15) HOTELS (16) INDUSTRIALS (17) AUTOMOTIVE

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BRITISH RECORDS (3

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BANKS, HP & LEASING

BUILDING, TIMBER, ROADS - Contd

	Stock	Price	No.	Div.	Yield	PE
198979	Stock	124	1	1.2	7.2	10.5
192	London National Trp.	124	1	1.2	7.2	10.5
202	Allied Irish Ord.	224	1	1.2	5.5	12.5
215	Anglo Irish Plc.	224	1	1.2	5.5	12.5
216	Barclays Plc	224	1	1.2	5.5	12.5
217	Baumatic Plc Fr 10%	224	1	1.2	5.5	12.5
218	Barclays Plc Fr 10%	224	1	1.2	5.5	12.5
219	Barclays Plc Fr 10%	224	1	1.2	5.5	12.5
220	Barclays Plc Fr 10%	224	1	1.2	5.5	12.5
221	Bank Ireland Irpl.	224	1	1.2	5.5	12.5
222	Bank Leumi Ltd	224	1	1.2	5.5	12.5
223	Bank Scotland	224	1	1.2	5.5	12.5
224	Bankers Trust N.Y.	224	1	1.2	5.5	12.5
225	Barings Plc	224	1	1.2	5.5	12.5
226	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
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295	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
296	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
297	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
298	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
299	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
300	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
301	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
302	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
303	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
304	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
305	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
306	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
307	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
308	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
309	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
310	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
311	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
312	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
313	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
314	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
315	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
316	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
317	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
318	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
319	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
320	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
321	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
322	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
323	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
324	Barings Plc Fr 10%	224	1	1.2	5.5	12.5
325	Barings Plc Fr 10%	224	1			

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Ref	Old Price	New Price	+ or -	Yield	Old Price	New Price	+ or -	Yield	Old Price	New Price	+ or -	Yield	Old Price	New Price	+ or -	Yield	Old Price	New Price	+ or -	Yield	
National Financial Management Corp PLC	2726 362500	Providence Capital Life Assc. Co Ltd	Costal		Royal Heritage Life Assurance Ltd - Capital	702.2	73.9	+1.3		Scandinavia Life Assurance Co Ltd (d)	0703 334431	Sax Alliance Group	1043 643431	Tudorbridge Wells Equitable	0892 513353	Sharp (Albert E.) & Co.	021 200 2244	Royal Bank of Canada Funds - Central			
726 Gresham Rd, Aythorpe, Shropshire SY11 3JL		Property Instl.	164.3	-0.1	Gold Stars	702.2	73.9	+1.3	Prudential House, Gloucester	0703 334431	Sax Atlantic House, Hoddesdon	0403 643431	Tudor Court, Tudorbridge	0892 513353	12 Howard Street, Birmingham B3 3ER	021 200 2244	Old Mutual Funds				
USA Fund	140.5	Standard Market Instl.	150.8	-0.3	Hong Kong	122.2	122.2	+0.0	Prudential Instl.	212.1	205.2	-1.9	CPI Fund	104.9	104.9	+0.0	Canada A	021 200 2244	Old Mutual Fund		
Managed Commodity	102.4	-0.3	North America Instl.	100.7	-1.4	Japan	328.3	328.3	+0.0	Equity	116.2	107.2	-1.0	Other Income	104.9	104.9	+0.0	Canada S	021 200 2244	Old Mutual Fund	
NTIC Fund	140.5	-0.3	Pacific Instl.	100.4	-0.3	Asia Instl.	122.2	122.2	+0.0	CPI Ex Excess	77.30	75.00	-1.9	Prudential Instl.	121.0	121.0	+0.0	DAM	021 200 2244	Old Mutual Fund	
Provider Fund	107.3	-0.3	Technology Instl.	104.6	-0.3	America Instl.	220.3	220.3	+0.0	Fed Instl.	127.3	127.3	+0.0	Target Fund	137.4	137.4	+0.0	France A	021 200 2244	Old Mutual Fund	
Managed Commodity	104.5	-0.3	Health Instl.	102.9	-0.3	UK Instl.	220.3	220.3	+0.0	Investment Fund	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	France S	021 200 2244	Old Mutual Fund	
NTIC Fund	140.5	-0.3	Residential Prop. Instl.	111.8	-0.3	Europe Instl.	220.3	220.3	+0.0	International Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	Japan A	021 200 2244	Old Mutual Fund	
Managed Commodity	104.5	-0.3	Services Instl.	102.9	-0.3	Asia Instl.	220.3	220.3	+0.0	Corporate Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	Japan S	021 200 2244	Old Mutual Fund	
NTIC Fund	140.5	-0.3	Residential Prop. Instl.	111.8	-0.3	Europe Instl.	220.3	220.3	+0.0	Industrial Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	Latin America	021 200 2244	Old Mutual Fund	
Managed Commodity	104.5	-0.3	Services Instl.	102.9	-0.3	Asia Instl.	220.3	220.3	+0.0	Corporate Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
NTIC Fund	140.5	-0.3	Residential Prop. Instl.	111.8	-0.3	Europe Instl.	220.3	220.3	+0.0	Industrial Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
Managed Commodity	104.5	-0.3	Services Instl.	102.9	-0.3	Asia Instl.	220.3	220.3	+0.0	Corporate Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
NTIC Fund	140.5	-0.3	Residential Prop. Instl.	111.8	-0.3	Europe Instl.	220.3	220.3	+0.0	Industrial Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
Managed Commodity	104.5	-0.3	Services Instl.	102.9	-0.3	Asia Instl.	220.3	220.3	+0.0	Corporate Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
NTIC Fund	140.5	-0.3	Residential Prop. Instl.	111.8	-0.3	Europe Instl.	220.3	220.3	+0.0	Industrial Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
Managed Commodity	104.5	-0.3	Services Instl.	102.9	-0.3	Asia Instl.	220.3	220.3	+0.0	Corporate Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
NTIC Fund	140.5	-0.3	Residential Prop. Instl.	111.8	-0.3	Europe Instl.	220.3	220.3	+0.0	Industrial Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
Managed Commodity	104.5	-0.3	Services Instl.	102.9	-0.3	Asia Instl.	220.3	220.3	+0.0	Corporate Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
NTIC Fund	140.5	-0.3	Residential Prop. Instl.	111.8	-0.3	Europe Instl.	220.3	220.3	+0.0	Industrial Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
Managed Commodity	104.5	-0.3	Services Instl.	102.9	-0.3	Asia Instl.	220.3	220.3	+0.0	Corporate Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
NTIC Fund	140.5	-0.3	Residential Prop. Instl.	111.8	-0.3	Europe Instl.	220.3	220.3	+0.0	Industrial Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
Managed Commodity	104.5	-0.3	Services Instl.	102.9	-0.3	Asia Instl.	220.3	220.3	+0.0	Corporate Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
NTIC Fund	140.5	-0.3	Residential Prop. Instl.	111.8	-0.3	Europe Instl.	220.3	220.3	+0.0	Industrial Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
Managed Commodity	104.5	-0.3	Services Instl.	102.9	-0.3	Asia Instl.	220.3	220.3	+0.0	Corporate Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
NTIC Fund	140.5	-0.3	Residential Prop. Instl.	111.8	-0.3	Europe Instl.	220.3	220.3	+0.0	Industrial Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
Managed Commodity	104.5	-0.3	Services Instl.	102.9	-0.3	Asia Instl.	220.3	220.3	+0.0	Corporate Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
NTIC Fund	140.5	-0.3	Residential Prop. Instl.	111.8	-0.3	Europe Instl.	220.3	220.3	+0.0	Industrial Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
Managed Commodity	104.5	-0.3	Services Instl.	102.9	-0.3	Asia Instl.	220.3	220.3	+0.0	Corporate Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
NTIC Fund	140.5	-0.3	Residential Prop. Instl.	111.8	-0.3	Europe Instl.	220.3	220.3	+0.0	Industrial Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
Managed Commodity	104.5	-0.3	Services Instl.	102.9	-0.3	Asia Instl.	220.3	220.3	+0.0	Corporate Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
NTIC Fund	140.5	-0.3	Residential Prop. Instl.	111.8	-0.3	Europe Instl.	220.3	220.3	+0.0	Industrial Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
Managed Commodity	104.5	-0.3	Services Instl.	102.9	-0.3	Asia Instl.	220.3	220.3	+0.0	Corporate Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
NTIC Fund	140.5	-0.3	Residential Prop. Instl.	111.8	-0.3	Europe Instl.	220.3	220.3	+0.0	Industrial Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
Managed Commodity	104.5	-0.3	Services Instl.	102.9	-0.3	Asia Instl.	220.3	220.3	+0.0	Corporate Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
NTIC Fund	140.5	-0.3	Residential Prop. Instl.	111.8	-0.3	Europe Instl.	220.3	220.3	+0.0	Industrial Instl.	127.3	127.3	+0.0	Target Fund	141.1	141.1	+0.0	North America	021 200 2244	Old Mutual Fund	
Managed Commodity	104.5	-0.3	Services Instl.	102.9	-0.3	Asia Instl.	220.3	220.3	+0.0	Corporate Instl.</td											

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OTHER OFFSHORE FUNDS

OTHER OFFSHORE FUNDS	
	ATSF Management Ltd.
Philippines Long Term Equity Fund	
NAV Jan 31	\$15.77
 Akley Cited Investment Fund	
Int'l & Co. Fund	\$1.91
Sterling Fund	2.14
UK Govt. Fund	1.75
America Cds Fund	1.47
Sterling Price	1.47
Corporate Cds Fund	1.24
Corporate Price	1.24
Corporate Fund	1.07
Sterling Fund	1.06
Pacific Radio-Sci. Fund	2.04
Sterling Price	2.04
Sterling Fund	1.24
Sterling Cds	1.23
Sig Fm Int'l Fund	10.94

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3pm prices March 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 43

NYSE COMPOSITE PRICES

**32 Month
High Low Stock Div. Yld. E 1982 High Low
Continued from previous Page**

Sales figures are unofficial. Yearly highs and lows reflect the previous 22 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25% or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual distributions based on the latest declaration.

a-annual, a-annual rate of dividend plus stock dividend, c-liquidating dividend, old-called, d-new yearly low, e-dividends declared or paid in preceding 12 months, g-dividends in Canadian funds, subject to 15% non-residence tax, i-dividends declared after split-up or stock dividend, j-dividend paid this year, k-quoted, l-converted, or no action taken at latest dividend meeting, l-dividend declared or paid this year, m-an estimate of dividends paid in arrears, n-revenue per share, o-the past 22 weeks plus the current week, p-the latest 12 months, r-annualized daily delivery, P/E price-earnings ratio, r-dividends declared or paid in preceding 12 months, s-stock dividends, t-split. Dividends begin with date of split, u-annual, v-annual rate of dividend in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date, w-new yearly high, x-leading heading, y-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities administered by such companies, z-distributed, w-if never issued, w-with warrants, x-ex-dividend or ex-rights, y-in-ex-distribution, z-without warrants, y-ex-dividend and sales infinit, yd-yield, zes in full.

NASDAQ NATIONAL MARKET

3pm prices March 7

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FINANCIAL T

EUROPE'S GREATEST NEWSPAPER

AMERICA

New York unimpressed by surprising dollar rally

Wall Street

IT WAS a dull morning on Wall Street, in spite of the unexpected strength of the dollar, which kept central bankers busy trying to manage the world's foreign exchange markets, writes Anatole Kalitsky in New York.

Egypt trading started with an upward bias after the 27.35-point gain by the Dow Jones Industrial Index on Tuesday. But the market had difficulty sustaining its early gains of 10 points or so and drifted back to a break-even position by mid-morning.

At 2 pm the Dow was down 1.57 at 2,875.23. Volume was moderately heavy, with 107m changing hands by lunchtime, and breadth continued to hold up well with advanced shares outnumbering declines by about seven to six.

The main external factor which attracted the market's attention was the seemingly futile battle being waged by central banks around the world to hold down the dollar. There was concerted and unusually public dollar selling not only by the Japanese and European banks but also by the Federal Reserve. But this seemed to have precious little effect on the dollar bulls' confidence.

ASIA PACIFIC

Weak yen and arbitrage selling push Nikkei lower

Tokyo

A WEAK YEN, a consequent lack of buying interest and substantial arbitrage selling share prices sharply lower yesterday, writes Michiyo Nakamoto in Tokyo.

The Nikkei average lost close to 600 points in the morning close, but it managed to trim its losses in afternoon trading and closed 423.74 lower at 33,362.34 against a day's high of 33,807.39 and a low of 33,180.04.

Declines eclipsed advances at 735 to 230, with 158 unchanged. Activity dropped considerably, with volume falling to 435m shares from the 562m traded on Tuesday. The Topix index of all listed shares fell 20.10 to 2,516.27, and, in London, the ISE/Nikkei 50 index fell 12.64 to 1,616.52.

Defying a shorting-up process by the Bank of Japan, the yen fell sharply yesterday to a nine-month low against the US dollar, putting downward pressure on bond and equity prices throughout the day.

A leading economic daily reported that the central bank was ready to raise the official discount rate by 0.75 or 1 per cent; but yesterday's weakness suggested that even a rise of that amount would not be high enough to strengthen the yen.

Selling by arbitrageurs unwinding their futures positions also contributed substantially to the downturn. The March futures contract was at a discount to the cash index and the creation of an opportunity for arbitrageurs to sell their cash positions and buy the cheaper March futures.

There was continued nervousness about lower earnings. Reports that steel companies probably would not see much of a rise in earnings in the next business year to March 1991, turned investors increasingly bearish on steel issues. In addition, the big steel companies

were seen as the US currency approached crucial resistance levels at \$151.60 and DM17.150.

The strength of the dollar provoked mixed emotions in both the bond and equity markets. On the one hand it was seen as good news, especially for bond investors, since the strong dollar might remove one of the impediments against an easing of monetary policy by the Fed. On the other hand, there was concern that the seemingly uncontrollable slide of the yen, in particular, would cause further alarm in Tokyo and might trigger the long-dreaded increase in Japan's official discount rate.

The bond market took a neutral view of the day's developments and traded within extremely narrow ranges. The Treasury's benchmark long bond was quoted 1/2 down at 95 1/2 in early afternoon, for a yield of 8.59 per cent.

The equity players also had a wait-and-see attitude, focusing on special situations while blue chips traded in extremely narrow ranges. As usual, Philip Morris was the most active of the large capitalisation stocks, falling 5% to \$38.14. American Express was another busy issue, rising 5% to \$27.74.

On the takeover front, MGM-UA jumped 3% to \$17.74 after disclosing a \$20 a share

are sensitive to interest rates and relatively unattractive in the present environment.

Nippon Steel topped the actives list with 8.3m shares and fell Y10 to Y651. NKK followed with 6.4m shares and lost Y17 to Y460. Kobe Steel also dropped Y10 to Y726.

Nippon Telegraph and Telephone fell Y20,000 to an all-time low of Y12.2m. NTT's share price has suffered since it was revealed that former employees of the company, including its chairman, received pre-listing shares of Recruit Cosmos in return for favours.

High-level discussions on the possibility of breaking up NTT are the latest bad point for the company. Companies with huge NTT holdings sold at a loss ahead of the closing of their books at the end of this month. Nihon Keizai Shinbun (Nikkei), Japan's leading economic daily, has estimated that large corporate shareholders will have unrealised losses at the end of the business year of over Y10bn.

The market's recent weakness has been affecting corporate financing plans. On Tuesday, Mitsubishi cancelled a planned public offering and, yesterday, Yasuda Trust and Banking announced that it was cancelling a public offering of common shares and two convertible notes. Mitsubishi's share price rebounded yesterday on the improved deal, only to drop again, closed up Y60 to Y2,170. Trading in Yasuda Trust was suspended.

Losses in large capital issues and electrics put downward pressure on the market in Osaka. The OSE average fell 25.42 points to 36,129.94 on a higher volume of 9.5m shares, up from 8.5m on Tuesday.

Roundup

TURNOVER in the leading Asia Pacific markets was light, with Singapore and Australia

gaining some ground, while Hong Kong eased as investors attended to the Budget speech.

SINGAPORE advanced on some speculative buying and bargain-hunting, but trading remained quiet. The Straits Times industrial index rose 16.38 to 1,568.83 in volume worth \$162m, down from \$170m on Tuesday.

Cerebos, the food group, received trading and gained \$82.10 to \$82 after news of a takeover offer of \$82.50 a share by Suntry of Japan.

HONG KONG eased as the market focused on yesterday's Budget, with the Hang Seng index closing 6.78 down at 2,926.45. Turnover fell to HK\$24.9m from HK\$30.9m the previous day. The Budget speech, given in the afternoon session, was said to contain no surprises.

AUSTRALIA was led slightly higher by resource stocks, but the decline on Tokyo tipped share prices on their heels.

The All Ordinaries Index closed 2.7 up at 1,663.1 after reaching 1,663.7.

Turnover was boosted by activity trading in Samoa, an oil producer and explorer, to A\$155m with 63m shares traded from A\$112m and up to A\$145.5m on volume of 8.6m shares, including five special sales, all 8.6m shares.

TAIWAN fell back on talk of a political split in the ruling Nationalist Party. The weighted index, up 4 per cent on Tuesday, fell 46.58 or 0.4 per cent to 11,415.56 in turnover up from NT\$13.8bn to NT\$14.5bn.

SEOUL moved towards its February 26 year's low of 833.81 for the Korea composite index, which fell another 10.12 to 847.46. Government initiatives to boost the market, which worked for one day last Friday, have lost their efficacy in the face of worries about trade and inflation. Turnover was thin at 179bn won, down from 250bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS

	TUESDAY MARCH 6 1990						MONDAY MARCH 5 1990						DOLLAR INDEX					
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (64)	140.51	+0.4	126.25	122.75	-0.2	5.50	139.55	128.80	122.97	180.41	128.28	137.85	124.50	120.50	119.50	124.50	119.50	124.50
Austria (11)	227.63	+0.6	240.52	228.25	+0.3	1.12	225.13	240.73	225.62	225.63	225.54	225.10	225.62	225.62	225.62	225.62	225.62	225.62
Belgium (61)	137.32	+0.6	123.38	119.71	+0.5	4.68	136.50	123.48	119.17	160.02	125.58	138.38	136.50	123.48	119.17	160.02	125.58	138.38
Canada (120)	141.98	+0.6	127.56	121.97	+0.3	3.34	141.08	127.59	121.60	154.17	124.67	133.89	141.08	127.59	121.60	154.17	124.67	133.89
Denmark (36)	205.05	+1.3	224.68	221.82	+1.1	1.45	246.75	223.24	219.44	260.88	165.55	170.01	246.75	223.24	219.44	260.88	165.55	170.01
Finland (25)	148.73	-0.1	131.30	128.25	-0.1	0.71	147.37	138.72	123.34	159.18	118.69	144.70	147.37	138.72	123.34	159.18	118.69	144.70
France (93)	128.04	-0.7	113.25	111.48	-0.8	1.91	128.87	114.78	112.36	137.01	117.56	95.41	128.87	114.78	112.36	137.01	117.56	95.41
Hong Kong (46)	120.25	-0.2	108.05	120.57	-0.2	4.85	120.50	108.00	120.93	140.33	88.41	129.73	120.50	108.00	120.93	88.41	129.73	
Ireland (17)	185.60	-0.6	166.76	167.05	-0.7	2.52	185.71	168.89	168.27	198.57	125.00	145.03	185.71	168.89	168.27	198.57	125.00	145.03
Italy (96)	94.73	+0.3	85.12	88.79	+0.2	2.59	94.44	85.43	88.58	102.11	74.97	78.80	94.44	85.43	88.58	102.11	74.97	78.80
Japan (45)	224.99	-0.7	211.14	244.82	-0.8	2.18	236.75	214.16	245.93	245.93	245.93	145.10	236.75	214.16	245.93	245.93	245.93	145.10
Malaysia (15)	234.99	+0.7	211.14	244.82	-0.8	2.18	236.75	214.16	245.93	245.93	245.93	145.10	236.75	214.16	245.93	245.93	245.93	145.10
Mexico (18)	385.52	+0.2	346.40	115.13	+0.2	0.45	384.77	348.05	114.00	115.90	115.90	115.90	384.77	348.05	114.00	115.90	115.90	115.90
Netherlands (43)	131.97	-0.3	118.68	115.41	-0.4	4.60	132.38	119.73	115.84	145.66	110.83	115.60	132.38	119.73	115.84	145.66	110.83	115.60
New Zealand (18)	65.30	+0.1	58.67	58.61	-0.2	5.56	65.24	59.01	58.93	88.18	61.98	72.75	65.24	59.01	58.93	88.18	61.98	72.75
Norway (24)	242.40	+1.3	217.81	215.61	+1.2	1.62	239.40	216.55	213.40	242.40	139.92	174.29	239.40	216.55	213.40	242.40	139.92	174.29
Singapore (26)	193.36	-0.2	173.76	168.63	-0.2	1.74	193.77	175.26	167.11	199.38	124.57	138.44	193.77	175.26	167.11	199.38	124.57	138.44
South Africa (60)	100.00	-0.1	95.00	105.50	-0.1	3.82	100.00	105.50	105.50	105.50	105.50	105.50	100.00	105.50</td				